Daily Report

East Europe

FBIS-EEU-95-091
Thursday
11 May 1995

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FBIS-EEU-95-091 *11 May 1995*

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Assembly Readopts Land Act Amendments Unchanged

AU1005171195 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 10 May 95

[Report by parliamentary reporter Zlatina Georgieva]

[FBIS Translated Excerpt] The National Assembly today rejected the presidential decree and readopted the Land Act amendments in the same form in which that bill was passed a month ago, with 125 votes cast in favor. [passage omitted]

During the second debate on the Law Amending and Supplementing the Agricultural Land Ownership and Use Act, which President Zhelev vetoed as a whole and in principle, the same heated arguments for and against were heard as when the law was adopted a month ago.

The return of the law is an act aimed against the interests of the people and of Bulgaria, Democratic Left Deputy Dragomir Shopov said. He described the action of the president and his advisers as going beyond their powers [nekompetentno]. Krasimir Orsov described the president's arguments as groundless and sterile. The president is working to keep the BSP [Bulgarian Socialist Party] from governing and refuses to accept the basic principles of democracy, he added.

The deputies of the SDS [Union of Democratic Forces] objected that the ruling party was distorting and politicizing the essence of the problem. The president's arguments are well grounded in law, they said, adding that the law is aimed against the restoration of private land ownership and noting that, heretofore, land ownership titles had never been removed by a legislative act.

Aleksandur Dzherov of the People's Union enumerated the articles and passages in the law that are juridically unsound. The position of the DPS [Rights and Freedoms Movement] parliamentary group was that the law is directed against the reform and contradicts the Constitution. The Bulgarian Business Bloc kept to the position it adopted during the original vote on the law a month ago, remaining against the law.

At the moment the SDS parliamentary group is giving a news briefing on the readoption of the Land Act amendments.

Videnov on First 100 Days, Foreign Policy

AU1105111395 Sofia 24 CHASA in Bulgarian 6 May 95 p 9

["Abridged report" on news conference given by Prime Minister Zhan Videnov in Sofia on 5 May: "Videnov Does Not Want Help From Multigroup"]

[FBIS Translated Excerpt] [Correspondent] Mr. Videnov, would you describe your cabinet's first 100 days as a success or a failure?

[Videnov] The cabinet successfully implemented the objectives it set itself in its program regarding the most urgent issues, and it succeeded in preparing its basic three documents: the White Paper, the draft budget, and the draft government program.

[Correspondent] What did the opposition do during this time?

[Videnov] It contributed very much to the fact that only one of the 19 bills submitted by the cabinet was adopted by the National Assembly. That is the Environment Protection Bill, which comprises about 11 lines, if my memory serves me well.

[Correspondent] You have been accused of changing Bulgaria's Balkan policy by paying unjustified reverences to Serbia and Greece.

[Videnov] Our country's Balkan policy must first be fully formulated. Only then can we change it.

[Correspondent] Would the cabinet accept cooperation on the part of groups such as Multigroup, which has offered to help in the struggle against organized crime?

[Videnov] The state has no right to transfer its functions to others. Protecting public order and national security, maintaining foreign relations, and the basic educational, scientific, and social functions are exclusive prerogatives of the state, and it will continue to exercise them alone. We need help, but only on the part of all society.

[Correspondent] What were your party's relations with Multigroup during the election campaign?

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[Videnov] Economic groups participated only rarely in our campaign through sponsorship. The accounts on campaign spending are open to scrutiny by all. [passage omitted]

[Correspondent] How will your relations with the president develop?

[Videnov] The cabinet intends to refrain from reacting to any provocation, confrontation, and the, at times—let me say it frankly—coarse gestures on the part of other forces. We have enough problems and commitments that we must implement in 20 months.

[Correspondent] Your program expresses the opinion that an agreement with the IMF and the World Bank is in doubt and that Bulgaria could refrain from signing such an agreement.

[Videnov] There is a doubt as to whether we will be able to sign a large-scale agreement by the end of the year. However, this does not mean that such an agreement could not be signed. Our partners are also interested in signing such an agreement. [passage omitted]

Effect of 'Insufficient' Funds on Combat Training

AU1005185295 Sofia KONTINENT in Bulgarian 5 May 95 p 14

[Interview with Lieutenant General Lyuben Pekhlivanov, deputy chief of the Bulgarian Army General Staff responsible for supplies of weapons, ammunition, and spare parts, by Dimitur Iliev; place and date not given: "Only 13 Percent of the Money Needed for Combat Equipment Has Been Provided, and 114 Leva Per Day for Each Soldier's Food"]

[FBIS Translated Excerpt] [Iliev] What effect will the insufficient funds allocated under the budget for combat training and weapons, ammunition, and spares supplies have on the Army's combat capabilities?

[Pekhlivanov] During the last four to five years, the Defense Ministry's budget has been reduced, and the funds allocated cover only about 30-35 percent of the Army's declared minimum requirements. The 1995 budget will provide 46 percent of the declared minimum requirements, including 13.3 percent of the money needed for equipment supplies.

This has a bad effect on troop and headquarters staff training and the condition of weapons and equipment. The parliament and the government are entitled to decide how much of the funds claimed by the Defense Ministry should be approved and allocated. It is evident that by providing an inadequate budget they accept—or are compelled to accept—a greater possible risk of reducing our defensive capability, and that this budget is the result of the general state of the economy.

[Iliev] What is the state of the Army's existing weapons and combat equipment systems? What are the possibilities for rearmament and equipment overhaul and maintenance?

[Pekhlivanov] It is no secret that some of the present weapons and equipment were supplied 25-30 years ago and that their useful life is coming to an end. Some types are no longer in production.

The General Staff has drafted a program specifying the main directions and stages for rearming the Army. It envisions fully equipping units and detachments with modern systems that satisfy the requirements of defensive sufficiency.

An ambitious program of this kind cannot be implemented out of the Defense Ministry budget, but has to be specially financed in stages by separate national programs. Other countries are doing this, including our neighbors.

[Iliev] It is no secret that many training activities are being reduced or totally canceled because of a lack of fuel. How are you maintaining the troops' combat training?

[Pekhlivanov] The supplies of fuels, lubricants, special fluids, and associated equipment to the Army do not satisfy our needs. Because of this, in recent years, we have been obliged to impose limits on the use of fuels, oils, and lubricants and motor vehicles; cut back on troop training exercises; and seek more cost-effective forms of training.

The forms of training on which the troop's combat capability depends to the greatest extent are given priority regarding supplies. We have concentrated our efforts most of all on platoon and company training, and to some extent on battalion training.

Units are not permitted to carry out tactical firing exercises and maneuvers until their commanders are convinced that their soldiers are ready to engage in costly field exercises. Vehicles and equipment are not allowed used unless all reasons for fuel wastage have been eliminated. [passage omitted]

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Zieleniec on European Integration, Terrorism

AU0905114595 Prague LIDOVE NOVINY (NEDELNI LIDOVE NOVINY supplement) in Czech 29 Apr 95 pp i-iii

[Interview "of the month" with Foreign Minister Josef Zieleniec by Libuse Koubska; place and date not given: "The World 'Postbellum'"]

[FBIS Translated Excerpt] [Passage omitted] [Koubska] The idea of membership in the European Union evokes in many people—in Scandinavia, for instance—concerns that they could lose their national identity. Now, in April, Czech Parliament Chairman Milan Uhde also warned that European integration under the baton of supranational bureaucracy is dangerous for the Czechs. Would you care to comment?

[Zieleniec] It is not dangerous just for us but universally dangerous. National life is a source of unique values. Abandoning it represents a hazard that cannot be accepted. Nevertheless, I believe that this is not how the question stands. The first enthusiastic response connected with European integration, the first projects and dreams of some politicians that a united European state or a United States of Europe with a single European nation would soon be formed, seemed to be utopia. This was true even at the time they were first articulated. Today, of course, the utopian quality is even more obvious.

We who have only experienced three years of our own national state, who realized the independence of external imperial forces only five years ago, consider this sentiment to be very important. We perceive it more sensitively than the nations for whom one's own state is a matter of fact, which no one ever doubted. Maybe that is why we discuss it a little more than others do. I believe that the European Union, as it is built today, will aim at a Europe of nations rather than a European nation. I believe that each nation will make the contribution of its unique experience and specific features. At the same time, however, it will be a cooperation that will not affect national tradition and national identity.

Nevertheless, it is very important that this cooperation be as close and intensive as possible. It is only by means of common work that we can avoid the danger of European history returning over and over again to the madness of national wars. Wherever there is cooperation, when we do something together, no war can take place. That is the main idea at the conception of European integration. [passage omitted]

[Koubska] Many discussions took place last month concerning the appeal by 100 Czech intellectuals called Reconciliation '95. Do you also consider it a badly timed, unnecessary kowtow to the German neighbor as do most Czech politicians who commented on the appeal?

[Zieleniec] It is a matter for everyone's conscience how he wants to contribute to the understanding among nations, and also between us and the Germans. For myself, I believe that this is not the way. I am a practical man. Gestures in relations between states and nations, if they do not derive from interest, do not play a great role. It is more important to create conditions for interest on both sides leading to finally leaving behind us the consequences of World War II, and dealing with the future. We must seek ways that bring our interests together, and enable us to draw a line—both politically and legally—after the past. I am convinced that this sequence of steps can be found, and hope that the political representation on the German side will approach it with the same logic. [passage omitted]

The discussion over Reconciliation '95 pointed out, however, something important; namely, that the most diverse statements can be made in our society, and the most diverse projects can be implemented. The discussion surrounding this appeal—despite its orientation toward very sensitive areas, even those that are taboo here—was matter-of-fact and was properly conducted. That is a sign for me that we have progressed a bit, and especially that results of the building of a stable democratic society are visible.

[Koubska] You mentioned a sequence of steps. Could you be more specific?

[Zieleniec] It is important that they form an entity that would close the past. It should provide the Czech and German Governments, and both our legislatures the opportunity to state finally and clearly that from the political and the legal vantage points the past is behind us. This would mean that any further discussion would deal with the shared experience and common history, however complex this experience and history may be, rather than with the consequences for the present. After all, these cannot actually be surmised by anyone who responsibly considers the postwar arrangement in Europe.

Of course, our relations with Germany will always be marked by the war trauma, the Czech experience of the Munich period, and the occupation, and the German experience of the expulsion of the Sudeten Germans. If we view it from a different perspective than the past, however, there are intensive contacts today that have reached a significant level, the territorial issue included. It is not just relations with Bavaria or between the border regions, these relations take in the entire German territory. [passage omitted]

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[Koubska] How long would you say it will take before all these steps are taken?

[Zieleniec] It depends heavily on how fast we and the German Government manage to settle matters linked to the past and draw the necessary line. I believe that we should get there as fast as possible so that those who want to take advantage of the situation for other political objectives, lose their ammunition. [passage omitted]

[Koubska] When you contemplate the world of the 21st century—you must do so at times—are you not terrified by its uncertain future cast? One topical example is the new phenomenon of uncontrollable random terrorism. I refer to Tokyo, Oklahoma, Yokohama.... All these qualitatively new phenomena suddenly transfer Sarajevo or the Gaza Strip to an entirely different place in the world, where it is completely unexpected.

[Zieleniec] A minister is not here to be terrified, a minister is here to attempt a solution to the problem. Of course, I sit in front of the TV just as you do, I see the reports and reflect on the essence of humanity as I watch the horrors a man is capable of inflicting upon his fellow man—all the cruelties. When I sit here in the Cernin Palace, however, I must think about how to reduce to a minimum the probability of such things being repeated in the future in different cities of the world. I believe that the world does a lot to this effect. We communicate intensively between states—not only politically—and our police corps cooperate, too. Just look how often a culprit in a terrorist attack is captured, despite the fact that the chances of finding him seemed impossible at first. [passage omitted] One can no longer find a country in the world that would openly state that terrorism is its means of waging war. This used to be quite common. We have made progress, and I hope that we will not stop here. After all, even the speed in determining the culprit in the Oklahoma attack can serve as a deterrent. There is no other way because the world is getting smaller, and if we want to live here and get along, we must uphold an order that will enable us to do so. [passage omitted]

[Koubska] So, you believe that 50 years after World War II ended, the world is a bit further along the way, after all?

[Zieleniec] I believe so. This does not mean that it is not dangerous. The technical equipment is much more easily accessible than in the past. There are many people who can make a nuclear bomb. The states rocking under complex domestic political conditions, where the state power ceases to be effective, represent a great threat, a threat in the sense that these means will fall in the hands of the wrong people. Anything is possible. It is hanging in the air. On the other hand, society—that is, the international community—is getting organized and is fighting this danger. We have to do it. [passage omitted]

Nuclear Arms Presence Debated; Havel Supportive

95CH0233C Prague PRAGUE POST in English 25 Apr 95 p 1

[Article by Timea Spitkova: "Havel Says NATO Might Welcome Czech Republic With Nuclear Arms"]

[FBIS Transcribed Text] The question of whether the Czech Republic should allow NATO nuclear weapons on its territory has sparked debate among the country's politicians.

In an interview published in the weekly TYDEN, President Vaclav Havel spoke of the possibility that nuclear weapons would be placed on Czech territory as a condition of the nation's acceptance into the North Atlantic Treaty Organization.

"If Czech citizens did not in the past object to Soviet rockets directed against democratic states, why should they mind the rockets of democratic states aimed against a potential threat to democracy?" Havel asked.

Minister of Foreign Affairs Josef Zieleniec and Minister of Defense Vilem Holan previously had made similar statements.

A number of politicians, however, expressed surprise at Havel's comments.

"The president, who always played the role of the humanitarian and a lamb of peace, is all of a sudden showing his militant wolf teeth," said Miroslav Grebenicek, chairman of the Communist Party of Bohemia and Moravia (KSCM).

According to Prime Minister Vaclav Klaus, chairman of the Civic Democratic Party (ODS), any discussion of whether the Czech Republic should have nuclear weapons on its soil is premature.

"We are not members of NATO, and NATO does not intend to relocate nuclear weapons and does not have a reason to do this," said Klaus.

Asked whether nuclear weapons are likely to be placed in the Czech Republic if it joins the North Atlantic alliance, Robert Hunter, the U.S. NATO representative, said countries accepted into the organization must assume the obligations as well as the rights of membership.

"Our view," said Hunter, "is that an ally is an ally is an ally—you join the alliance and you do as the allies do."

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Skoda Bids To Complete Nuclear Power Plant

95CH0226B Prague PRAGUE POST in English 18 Apr 95 p 5

[Article by Maggie Ledford Lawson: "Skoda May Take Over Nuclear Project"]

[FBIS Transcribed Text] The engineering company Skoda Praha is making a strong pitch for the lucrative job of completing Mochovce, a Soviet-designed nuclear power plant in west Slovakia.

But Western nuclear giants vying for contracts on the project can't be counted out.

The Prague engineering company has promised to do the job more cheaply than Western bidders. The Slovak government also could avoid environmental requirements tied to a Western proposal for completing two reactor blocks at the plant.

Previously, the Slovak government had supported a proposal involving Electricite de France, Siemens and Bayernwerk whose cost was estimated at 1.4 billion German marks [DM] (about 26.6 billion Czech korunas [Kc]).

The Mochovce project, which includes updates of Russian technology that is considered unsafe, would be partly funded through a DM412-million loan from the London-based European Bank for Reconstruction and Development (EBRD) if the Western companies were awarded the contract.

Stanislav Vesely, a spokesman for Skoda Praha, said it's too early to provide figures on how much the company would charge to finish the project, but news reports have indicated that the Prague company could do the work for about one-third less than the Western companies can. "Our labor costs are three to five times lower" than those of competitors, explained Vesely.

Financing would be generated by a consortium of Czech and Slovak banks under Skoda Praha's plan. The banks might go abroad for some of the money, Vesely said.

The Slovak government had been eager to obtain EBRD funding for the Mochovce plant, where work ground to a halt in 1993 after the investor, Slovenske elektrarne, ran out of money. Although EBRD directors faced strong criticism from countries opposed to the project, particularly Austria (which joins Hungary as the plant's nearest foreign neighbors), the bank appeared to be heading toward approval of the loan.

However, in March, days before EBRD directors were to vote on the loan, the Slovak government withdrew its request, apparently in response to Skoda Praha's counteroffer.

Bratislava is continuing to negotiate with the EBRD, reportedly seeking less stringent environmental requirements and other more favorable terms for the loan, while also considering Skoda Praha's offer. Russia also has offered to provide $150 million (nearly Kc4 billion) in funding for the project and to offer technical assistance.

A decision to go with Skoda Praha would relieve the Slovak government of the need to close two Soviet-model reactor blocks at Bohunice, the country's lone operating nuclear facility. Scientists consider the two reactors extremely dangerous, and the EBRD has made their shutdown a condition of the Mochovce loan.

"That would mean, in reality, that Slovakia wouldn't gain any extra electricity, and it would have the burden of repaying the loan," said Vesely.

Lubka Trubinova, head of Greenpeace in Slovakia, said, "Clearly the government is playing chess with everybody, but who does the project is not the basic question—the basic question is whether to complete Mochovce or not."

The environmental group believes Slovakia should develop alternative energy sources instead of relying on nuclear power, particularly from the Soviet-style reactors.

Heiner Luschin, the EBRD representative in Austria, was quoted by the Prague-based news agency CTK as saying that a Slovak decision to go with the Skoda proposal could make entry into the European Union more difficult for Slovakia and the Czech Republic. A project involving only Czech and Russian technology would not meet Western safety standards, Luschin said.

Vesely said Skoda Praha would work with Siemens on safety-related matters if the Slovak government approves the German company's proposal. He said Skoda also would be willing to work with Electricite de France and the other Western companies.

The Prague company is owed some Kc3 billion for technical work already provided on the Mochovce project and can't be paid until construction has reached certain benchmarks, said Vesely. "We just want the whole project to move," he said.

Legislation To Curtail Money Laundering Needed

95CH0233A Prague PRAGUE POST in English 25 Apr 95 p 4

[Article by Eva Munk: "Money Launderers Flood Czech Banks"]

[FBIS Transcribed Text] A young, clean-cut electrician buys a hotel in west Bohemia. A Czech company in

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Moscow transfers some rubles to Prague for a friend. A businessman loses half a million crowns in a Prague casino.

Dirty money is like a multicolored mass of yarn—pull a red strand in Moscow and a green strand moves in Belgium. Sometimes an innocent-looking white thread will lead you to a tangled wad of drugs and prostitution, and sometimes a rope as thick as your wrist just peters out.

It is the job of people like Jan Bosak, director of the corruption-exposure section for the Czech Republic Police, to follow those strands to places like Angola, the Cayman Islands or just over to Narodni trida.

Loose banking regulations regarding monitoring and client identification have, for several years now, lured criminal organizations to the Czech Republic, police say.

Bosak said he hopes that, by introducing regulations to curtail money laundering, Czech financial institutions and police will put an end to the organized crime groups' unwelcome interest in the republic. "All organized crime is motivated by money, and if the money dries up, so does the crime," Bosak said.

Bosak estimates that billions of crowns are laundered in the Czech Republic. "It is difficult to say exactly how much money goes through the system because banks claim that many of their foreign accounts are actually speculative investments—and who is to say they aren't?" Bosak said.

Money laundering is essentially a two-step process. First, the criminal organization must find a "legitimate" source for their cash. Next, it must effectively obscure the path the money takes through the financial system.

"A criminal cannot function with a suitcase full of bills," said Vera Hartlova, deputy director of the legislative section of the Czech National Bank. "He has to create a 'legitimate' source."

Those familiar with money-laundering operations say that any business where the value of the product is not directly correlated with its price will do: Empty restaurants, casinos, antique shops, tour agencies and real estate transactions are all common "covers."

Privatization of small enterprises created an ideal situation for launderers. "Clean" citizens bought small businesses for rich "partners," who then resold them or used them to wash more money.

After finding a cover for the money, the launderer weaves money through a tangle of accounts. Most often the money is divided, deposited into separate accounts and eventually consolidated in "clean" bank accounts.

Electronic transfers make money laundering easier. "Once a money launderer gets his profits into the bank and makes an electronic transfer, he is in the clear," Hartlova said. "Then the money is very hard to trace. If it is an international transfer, so much the better."

One such international transfer occurred in 1992, when Belgian police arrested an arms merchant who had tried to wash 1.7 billion Czech korunas (Kc) through Raiffeisenbank in Austria. Further investigations revealed that he had transferred Kc530 million through a Czech company in Moscow to company accounts all over Europe. This was only the prelude; Kc30 billion were still waiting for the wash.

According to Hartlova, it is up to bank employees to "develop a nose" for such illegal transactions and to report them.

Not that it would do much good at present.

Although the Czech criminal code does include a section on the illegal use of profits from criminal activity, no such crime has yet been prosecuted, Hartlova said.

Bank confidentiality laws that allow wrongly accused clients to sue banks for up to Kc250,000 make bank employees reluctant to report suspicious transactions.

Hartlova and Bosak hope this will change when parliament enacts money-laundering legislation requiring banks to report "suspicious transactions."

Slovak Claims Rejected; Arguments Reviewed

95CH0225A Prague ZEMEDELSKE NOVINY in Czech 6 Apr 95 pp 1, 9

[Article by Jiri Vavron: "Wicked Czechs Allegedly Again Robbed Blameless Slovakia of 205 Billion Korunas"—last paragraph is ZEMEDELSKE NOVINY comment]

[FBIS Translated Text] Every time that on the pages of Slovak newspapers or on television appear, as if by chance, articles and reports portraying the Czech Republic and Czechs as villains who have robbed the blameless Slovaks, there is but one reason for it. Some negotiations are approaching which could bring a new, constructive element into the economic relations between the Czech and the Slovak Republics. An element, in which the government in Bratislava is not, of course, interested. At the present time it is clear that the discriminatory measures of the Slovak side against Czech goods are unjustifiable and have to be terminated, same as the clearing accounting. Trade should begin to be conducted in dollars, as with any other country. It would be accurate and fair accounting. That, of course, is not to the advantage of the Slovaks

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at this time. Moreover, Slovak politicians know that if proper, entirely transparent relations in the economy and property settlement really prevailed between the Czech and Slovak Republics, people might find out that the propaganda they have been spreading for years, namely, that the Czechs are responsible for everything that is bad in Slovakia because they have been exploiting Slovakia for decades, is political prattle. They cannot, understandably, afford to let that happen.

And so, before the negotiations about ending the clearing accounting and before the planned meeting between the Czech and Slovak prime ministers, there appeared, as if by chance, an article in the Slovak progovernment daily SLOVENSKA REPUBLIKA which says that the Czech Republic deprived Slovakia of 205 billion korunas during the division of the Czechoslovak State Bank (SBCS). The daily is commenting on the fact that two years after the currency separation the Slovak Republic is still refusing to acknowledge the debt of 24 billion which it owes to the Czech National Bank [CNB]. The commentator from SLOVENSKA REPUBLIKA states that "the SBCS management, six months before the actual separation, that is, on 30 June 1992, segregated for the Czech Republic the enormous sum of 578 billion Czechoslovak korunas(!) from the total balance." Therefore, what was divided between the Czech and the Slovak Republics on 1 January 1993 was only the remainder of the total balance. We are leaving it to our lawyers to judge how to qualify this fact. But, the daily writes, even that was not enough for the Czech Republic. From the remainder of the balance the SBCS head office worked out by accounting manipulations a fictitious claim against the Slovak National Bank [NBS] in the amount of 22.3 billion Czechoslovak korunas, the progovernment daily asserts. According to the daily, when applying the ratio 2:1 used in the division, there is a "resulting discrimination of 205.36 billion against the Slovak Republic." SLOVENSKA REPUBLIKA further calls attention to an effort by the CNB to appropriate for itself 7,492 kg of gold from the NBS, and the disappearance of gold and jewelry from Jewish safes which were transported from Slovakia to Prague.

To talk about the fact that from the technical point of view it was not possible at that time to carry out these "anti-Slovak schemes" in the SBCS (among other things, because there were Slovaks in the management of the Bank who would not have allowed it), probably is, in view of the wording of the SLOVENSKA REPUBLIKA article, useless. The Slovak side turns a deaf ear to arguments.

It is therefore better to point out the numbers which everybody can compute and verify for themselves from the publicly accessible data in the statistics of the time, which were never challenged by the Slovaks and which are available in Prague as well as in Bratislava.

In 1948, the share of industry in the net national product in Slovakia represented approximately 43 percent, in 1989 already 68 percent. In the years between 1948 and 1981 the volume of investments in Slovakia increased eighteenfold, in the Czech lands fifteenfold. The share of gross investments in the national income has always been higher in Slovakia than in the Czech Republic. The average age of machinery in the Czech Republic has always been markedly higher than in Slovakia. Simply, in the division of assets in 1993 Slovakia gained modern equipment, better than what was in the Czech lands. To recap, the CSSR national income was for decades continually redistributed to the benefit of investment and capital construction in Slovakia. The national income of the Slovak Republic, that is, the values created in Slovakia, was always smaller than the means which were invested into the development of Slovakia. These values worth billions and hundreds of billions were created since 1945 by the labor of Czech hands. Since the seventies about 10 billion korunas were transferred each year to Slovakia within the framework of budget redistribution. The Slovak debt to our central bank did not originate in the heads of Czech enemies of Slovakia, but on the basis of calculations and negotiations by the Slovak banks, which were signed and calculated also by Slovak representatives; Slovak banks were taking money from the SBCS before the division of the state. Slovak politicians are fond of moaning hypocritically about anti-Slovak feelings spreading in the Czech lands. That is not true. On the contrary, according to public opinion polls, the attitude of the Czech population toward Slovaks is very good. One thing is certain, if some in Slovakia really want to have this attitude turn into its opposite, they have only to keep increasing their support for articles such as the one in SLOVENSKA REPUBLIKA.

* * *

The Czech Government discussed in addition to the agenda for its yesterday's session some questions concerning Slovakia and decided to send an emissary to Bratislava without delay. He will be J. Weigl, top adviser to the prime minister. He is to meet with leading Slovak politicians in order to have preliminary discussions concerning certain problems before the meeting of the two prime ministers takes place. The content of the prime ministers' discussions should be some unresolved issues from the past as well as the present, that is, the payments agreement, questions of the exchange rate, certificates, and the final resolution of privatization.

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Hungarian Leader Defends Appeal to EU, Others

LD1005172195 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 10 May 95

[FBIS Translated Text] At a news conference held by the Hungarian Christian Democratic Movement [MKDH] this morning, Deputy Gyula Bardos told journalists that the government's Nationalities' Council will discuss the bill on the state language of the Slovak Republic tomorrow. The MKDH rejects this document and Pal Csaky, chairman of the deputies' group, who commented on this issue, said, and I quote: This is linguistic imperialism. What on earth are they planning?—end of quote.

The MKDH is backing President Michal Kovac and thinks that it was not right that the opposition took part in the vote that passed the resolution, which meant that the president lost the National Council's confidence. Pal Csaky said that by taking part in the vote, the opposition contributed to making this move legal.

Zuzana Stukovska discussed other topical issues with the chairman of the MKDH group:

[Begin recording] [Stukovska] Mr. Csaky, you have said that within two weeks you will write a letter which will be sent by the Hungarian Coalition to the European Union, the Council of Europe, and to similar institutions in the United States. You said that this letter will evaluate the present situation. Mr. Csaky, how can you guarantee that this evaluation of the facts will not be one-sided, for its outcome could be derogatory for the Slovak Republic? After all, the Slovak Republic is also a homeland for the citizens of Hungarian nationality.

[Csaky] We shall very strictly and very accurately adhere to the facts. You see, the law on the 1995 state budget passed by the National Council of the Slovak Republic provides for a certain funding from the state budget. On the one hand, this funding is roughly 65 percent lower than it was last year. We have evidence of this, of course. On the other hand, national minorities' organizations and publishing houses have not seen a penny so far, even from this low funding level. I am very sorry to see the Culture Ministry approaching this issue in this way. It is an unfortunate situation and we do not, in fact, have any choice.

If this letter generates a certain tension between us and the government, it will be the government that will bear responsibility for it, because it does not want to talk to us.

[Stukovska] Will the letter contain information that decreased funding will not only affect Hungarian culture, but also Slovak newspapers, magazines, publishing houses, and others?

[Csaky] Yes, of course. We accept this fact. We have been told on more than one occasion that cuts have been affecting all areas, including national minorities. We would go along with it if these cuts were in proportion with their entire scope and if Hungarian culture or Hungarian education were allocated some 10 or 11 percent from the Culture Ministry budget. This would be in line with the proportion of the Hungarian population in southern Slovakia. In that case, we would accept it. But we think that this is a one-sided restrictive move which is very strongly aimed against us because the proportion of allocated funds does not at all correspond to the total numbers of the Hungarian population. For example, the allocation for our culture is approximately 1.5 percent [from the budget], which is an absolutely miserable amount.

[Stukovska] You have also said that the Hungarian coalition was invited to Washington to take part in a roundtable discussion on 13 and 14 June. This discussion will deal with finding a solution to the minority policy in the Slovak Republic. Mr. Csaky, what, in your view, prompted the organizers to stage this event abroad? Is it normal that the affairs of one state—even though it is a small state—should be aired in another state?

[Csaky] Unfortunately, or rather thank God, it is not normal. We know that we should hold this kind of discussion at home, but we have on several occasions asked the prime minister and government ministers for these matters to be discussed. Unfortunately, this has not materialized. We do not welcome the fact that independent organizations think that the government and national minorities are unable to resolve their affairs at home on their own and that a roundtable discussion in Washington has to be organized. At any rate, we intend to take part in it. The other side, or in other words, the government and other parties will tackle the whole matter at the highest possible political level. [end recording]

Meciar's Recent Political Moves Examined

95CH0242A Kosice DOMINO EFEKT in Slovak 20 Apr 95 p 2

[Article by Karel Hirman: "A Matter of Life and Death—The Prime Minister, the President, and the Secret Service"]

[FBIS Translated Text] "I am convinced that the chairman of the HZDS [Movement for a Democratic Slovakia] initiated and is continuing to initiate so-called intelligence games even among constitutional officials," the president contends. The prime minister accuses the president and says that intrigues involving a legalized

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officer of SIS [Slovak Information Service] that portray the movements of parliamentary chairman Gasparovic in London ended up directly on his desk. "Who, then, is initiating intelligence games among constitutional officials?" the prime minister asks the speaker and points his finger at the president of the KDH [Christian Democratic Movement], Moravcik, and the former leadership of SIS. Both sides accuse each other, claiming they are being followed, monitored, and subjected to surveillance. Even the chiefs of the secret service, Mitro and Cibula, are stepping out from anonymity, and every even halfway-informed citizen can recognize their names and gradually also their faces as confidently and as well as the features of politicians. Television news programs already have no informational and professional values but are becoming a tool in these games—at the Mitro private press conference, all media are present with the exception of the STV [Slovak Television]. This is the Slovakia of the present day.

If one were not moved to tears and if one did not realize the possible consequences of all of this that send shivers up one's back, it all might be quite amusing. Except that this game is not played for peanuts. Slovak politicians have initiated a nonsensical gamble involving the future of this country in terms of its final consequences. What is at stake is nothing less than freedom, stability, prosperity, and the security of citizens of this country.

This entire show becomes even more absurd if we realize that these gentlemen who are shouting at each other today through the mass media were close collaborators just two years ago. "SIS director Igor Cibula received congratulations from abroad from an officer of an intelligence service of a foreign country (March 1994—author's note), which evaluated this as being the best intelligence action run by the Slovak Republic. Except at that time, Mr. Moravcik happened to meet with Mr. Cibula quite frequently," Meciar proclaims publicly in parliament. This is the same Meciar who was regularly clashing with this Cibula in the period from 1989 to 1992. Today, he accuses this same Cibula of "conspiracy" against him in March 1994 and his subsequent recall from office; as a commentator for NARODNA OBRODA, Cibula had played an active role in creating Meciar's image and that of the HZDS, and this same Meciar, who, in his own words, used to meet with Russian generals in Moscow and met secretly in the Tatra Mountains with the then prime minister Chernomyrdin and used to visit the Russian Consulate in Bratislava, is now indicating that foreign secret services had something to do with his being recalled from office. (Shortly before his overthrow in March and during his visit to China, Slovakia was visited by the chief of the Russian intelligence service, Primakov, who met with the leadership of SIS and was also received by President Kovac—remark by author. But it is unlikely that Meciar had this in mind.)

Peter Weiss states on the floor of parliament that "the effort to subordinate SIS to the government and to the prime minister...is another highly significant step in the direction of an authoritarian regime." "I am convinced that the chairman of the HZDS, Mr. Meciar, was creating and continues to create illegal parallel structures for intelligence activities, aimed not only at the president but also at other individuals" are the shocking words attributed by parliamentary president Kovac to the office of Jan Findra. "I am also of the opinion that the chairman of the HZDS was building and continues to build illegal parallel structures for intelligence purposes," [illegible] former SIS director Vladimir Mitro in joining [illegible]ac in his contention. And, at the same time, he confirmed that he had repeatedly been requested by one of the officials who are authorized to task SIS to surveil journalists, a listing of which the official in question submitted. However, under his leadership, SIS rejected this request.

The escalation of such and similar statements that mark the most recent developments surrounding SIS are an indication of a deep internal political crisis. This crisis will continue on the occasion of the next session of parliament in May. At this session, the so-called special SIS oversight organ (OKO), made up exclusively of delegates from the government coalition, is to present its report. The chief of this monochromatic organization and, at the same time, the eager candidate for a future position as director of SIS, Ivan Lexa, is promising to make serious revelations that are supposed to confirm the veracity of Meciar's statements. At the same time, President Kovac is supposed to present his regular annual statement on the state of the Republic in parliament. It was precisely he who initiated the recall of Meciar and his government last March. What will he say now?

Meciar's speech in parliament and the entire circus is pursuing one principal goal: to discredit the president and to thus gain additional points in the war in which no permanent peace or even a temporary cease-fire is possible anymore. It is clear that the struggle between Meciar and Kovac is a life-and-death fight. One of them must win, and one of them must also lose. Perhaps not immediately or even tomorrow, but, in the long run, this state of affairs on the political scene is simply unsustainable. And the SIS cause is another move in this struggle. Actually, even Mitro himself admitted this.

With all of its scandalous aspects, the SIS case is only a portion (and possibly only a covering maneuver) of the

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broader process, additional individual elements of which are becoming ever more visible: the unprecedented restriction of property listed for coupon privatization and its de facto liquidation, the politically motivated persecution of the investment funds, the elimination of self-administration in the education system, the personnel staffing of radio and television, total personnel control in state administration, the glorification of Tiso by coalition officials, etc. All of these are "milestones" of counterrevolution in the tradition of the government coalition. Will it be successful? Where will it stop? And what still remains hidden beneath the surface?

Projections of 1995 National Budget 'Realistic'

95CH0223A Bratislava HOSPODARSKE NOVINY in Slovak 24 Mar 95 p 6

[Article by Michal Baranik, HOSPODARSKE NOVINY Club member: "Is the State Budget for 1995 Realistic?"]

[FBIS Translated Text] As noted by the deputy prime minister of the Slovak Republic and by Sergej Kozlik, minister of finance, the state budget for 1995 is tight, but realistic. It is realistic in the prediction of developments applicable to the GDP. What is this belief based on, if, on the other side, there are indications that it is hardly likely that revenues will be increased over 1994 by 18 billion Slovak korunas [Sk]? Where does the truth lie?

The opposition was basing its statement on data worked out by several organizations. But, for example, is it possible to believe those who have already been wrong twice in their predictions? For 1993, they had anticipated bankruptcy. It did not occur. For 1994, they were predicting a decline in the GDP by 2 percent. The facts in both of the years surprised them. The year 1993 was not a total failure, and 1994 showed the kind of growth which only the greatest optimist could have expected to occur. The GDP grew by 4.7 percent in constant prices and by 16.6 percent in current prices. This tells it all. How to explain such a diametrically different approach? There are two explanations. Those who have hitherto seen everything in the Slovak Republic in black colors either did not recognize the strength of the economy or did not desire our economy to develop along positive lines and did not know how else to express this fact. Can their predictions be taken seriously following two such experiences in a period in which the state budget projections for 1995 are being judged? It would be well for them to reevaluate their own positions.

As part of the transparent tactics, everything being presented by the government, which came into being as a result of the democratic elections, is beginning to be called into doubt. But no one among the doubters has been found who would openly state—when developments are moving in a different direction: "Pardon me, I was wrong." If these people were true experts, they would certainly conduct themselves that way. There is no shame in admitting an error. It only requires a considerable amount of courage. And that has become very much cheapened in our country.

The early months of this year indicate that 1995 should not be any worse than the previous year. That is why it is realistically possible to figure on a growth in incomes. In such a case, an increase in revenues for the state budget by Sk19 billion appears generally realistic. Existing experience indicates that one-third of the growth in the GDP runs through the budget. With the 1994 GDP increase being Sk58.2 billion (in current prices), the budget was expected to receive Sk19.4 billion of this amount. For 1994, a GDP volume of more than Sk450 billion is anticipated. Under such conditions, the planned increase in revenues is actually realistic.

This problem can be regarded from yet another angle:

The volume of the GDP of approximately Sk450 billion represents conditions under which 40 percent of the GDP is taxed at 25 percent and 60 percent of the GDP is taxed at a rate of 6 percent. Thus, the value-added tax (VAT) should represent Sk61.2 billion. The budget is figuring on a value-added tax volume with an overall value of Sk43.2 billion. In such a case, there is still a reserve of Sk18 billion available. It must also include certain amounts for tax relief and tax evasion. Nevertheless, the reserves are great. That is why the planned sum of revenues from the VAT is also realistic. As we figure further that the growth in the GDP is always accompanied by a growth in profits and a growth in wages, the anticipated increases in income taxes for legal entities and private individuals is also realistic. Moreover, because income for private individuals is taxed in a progressive manner, increases in wages also frequently result in the individual finding himself in a higher tax bracket. Revenues based on customs duties are set at last year's level, but even if the customs surtax declines it is possible to figure on a higher level of customs duties than was the case in 1994 as a consequence of increased foreign trade sales.

The economy as a whole functions in a continuous manner. Processes within it are of varying duration. Some of the processes, which were initiated in the previous year, continue in the subsequent year. Consequently, it is also realistically possible to figure on a multiplying effect of resources created in 1994 which will be used in this year. And this effect is not negligible. The results

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of the first two months of this year have fully confirmed this hypothesis.

It is also necessary to figure on the multiplying effect resulting from the successful growth during the first months of the year, which creates the source of growth for the second half of 1995.

Even though the state budget for 1995 does not figure on recording a more express extent of investment resources, those which are utilized will contribute toward economic growth by increasing consumption. Capital expenditures represent a sum of Sk11.3 billion. They will contribute to the survival of the construction industry and toward recovery in agriculture. A positive effect, even though it is indirect, will also be exerted by government guarantees for bonds issued by the enterprise sphere, which are oriented toward increasing capital resources for the realization of important capital projects.

It is a pity that this year the resources of the state budget will be exhausted with respect to one project—the guarantee of credits for completion of the Mochovce Nuclear Plant. As a result, the state cannot support the realization of other important projects.

The stability of state budget revenues will be further supported by legislative measures aimed against tax evasion. This is mostly a matter of the obligatory introduction of registration treasuries and the obligation of banks to report the figures on current accounts of business entities to the tax authorities. This will serve to prevent circumvention of fulfilling tax obligations on the part of some legal entities which make ample use of this practice, which has resulted in substantial increases in tax evasion.

In this respect, the fact that sizable amounts of revenue losses for the state budget can be sought in the reserves which exist in the work of customhouses is not negligible. Adoption of the new customs law, which would act to prevent this loss to a great extent, continues to be delayed. To the detriment of the common good.

Specific declines in nontax incomes are occurring, particularly as a result of lowering the tax obligations of budgetary and contributory organizations, but also as a consequence of the decline in profit taxes paid by the National Bank of Slovakia [NBS]. On the basis of the agreement between the Ministry of Finance and the NBS, interest rates were lowered (credit interest rates were lowered to 5-7 percent and debit interest rates were lowered to 9 percent). Consequently, the contribution made by the NBS to the state budget will decline to about one-fifth of the level it was for 1994.

As a carrier of monetary policy, the National Bank has a specific role to play in safeguarding revenues for the state budget because, through its program, it fundamentally influences the development of the GDP as a basic macroeconomic magnitude, the development of which leads to the development of the other macroeconomic magnitudes, primarily employment, inflation, and the foreign trade balance. The status of the above-listed magnitudes must be understood to be mutually dependent on each other, but in the knowledge that under our conditions development of the GDP occupies a key position presently. In the interest of its development, economic instruments should be acting on a priority basis.

A comparison of the entitlements of the state budget and its macroeconomic framework is not totally in agreement with the monetary program of the NBS. The monetary program submitted to the National Council of the Slovak Republic was not fully coordinated with the program declaration of the government or with the macroeconomic outlines of the state budget.

For example, the GDP for 1994 increased in current prices by 16.6 percent; the pace of development applicable to the M_2 money aggregate grew by 18 percent and yet the monetary program for 1995 expects M_2 to grow by 12.3 percent with the pace of development applicable to credits extended to enterprises and households to increase by 5.1 percent.

Given the growth of the GDP for 1994 of 4.7 percent, with the anticipated growth for 1995 being 5 percent, the program development of the M_2 aggregate and of credits became an obstacle in the successful development of the GDP where it is realistic to figure that the GDP in current prices in 1995 will exceed 17 percent.

The fact that the NBS lowered the discount rate by 1 percent in the interest of expanding the economy is worthy of respect. Let us hope that this will motivate the commercial banks to lower the interest rate by a minimum of 2 percent. This is not sufficient, but it would nevertheless be a symbol of sympathy sent to the business sphere.

The problem of tying the National Property Fund [FNM] to the state budget is debatable. The previous government had counted on the FNM making a contribution amounting to Sk18 billion to help pay off the state debt.

The government and parliament rejected this kind of utilization of FNM resources. This was an extremely imprudent policy which would make use of resources resulting from the privatization of property to cover the costs of current consumption. Our society has already been living for approximately 20 years at the expense of caring for property by long neglecting renovation and not appreciating the importance of modernizing

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property. If this policy were to be continued, this would be an irresponsible act with regard to the present, but mainly to the future generation. Even though it is possible to understand, from a popular standpoint, that everyone is the least bothered by the future. State and political organs must not underestimate this aspect of economic policy (the effort to expand property held by society). That is why payments due against the state debt which are scheduled for 1995 will be paid out of resources of the state budget. Of the total volume of state debt payments, 51.5 percent are scheduled to defray foreign debt and 48.5 percent are scheduled for the domestic debt; interest payments amount to 55.5 percent and 44.5 percent are allocated to the payment of principal. In amortizing foreign debt, the payment on principal represents 67.8 percent.

In designing the expenditure portion of the budget, the government had the opportunity to elect several variations. It began with the function of the state under conditions of a market economy and taking into account the priorities of economic policy for 1995. Of the functions of the state, it prioritized the social and security functions. The social function is of extraordinary importance under conditions of an economy which is transforming itself and in the face of the decline in the standard of living for a sizable portion of the population. Underappreciation of this role could contribute to violating the social consensus. The social function is asserted through social payments made to a dependent portion of the population amounting to Sk14.6 billion, payments of premiums for health care insurance for 3.4 million inhabitants amount to a total of Sk7.4 billion and payments made to the social insurance authorities by compensating 665,500 individuals for health insurance premiums and by paying social security benefits to 758,600 individuals in the amount of Sk5 billion.

This group of expenditures also includes expenditures for education and expenditures for contributory organizations under the jurisdiction of the Ministry of Social Affairs and Labor, which finance various institutions of a social character. Support of security functions includes expenditures for the Ministry of the Interior, the Ministry of National Defense, the Slovak Intelligence Service, the Ministry of Justice, the Constitutional Court, and the Office of the Prosecutor General. Expenditures connected with the functioning of other state organs whose role is the implementation of state administration and the effective functioning of the state in various regions of social life can be included in this group of costs.

The third function of the state budget is oriented at supporting the economy. In realizing this function, it takes into account the priorities of economic policy. Among these priorities, a decisive role is played by support of investments. Although such investments which would directly benefit the pace of the economy will not be financed directly from the budget, a total of Sk11.3 billion of investment resources will nevertheless also play a positive role. Provisions of economic policy to support investments will certainly motivate the business sphere in privatized and private enterprises, as well as in other organizations.

If the success which we achieved in exports in 1994 is to be extended to additional years, we cannot get by without modernizing the production-technical base and increasing the utility parameters applicable to selected production processes.

State investment policy is oriented toward increasing the extent of public works, primarily the construction of communications. Completion of the highway network plays a special role within the framework of public works because:

- our roads lack an adequate throughput rate as a consequence of the rapid expansion of motorism, which has to do with increases in business activities;
- there is a need here to connect with the international highway network;
- the attractiveness of regions in the vicinity of highways will increase;
- rapid connections attract foreign businessmen and tourists;
- and, last but not least, construction of highways will lead to recovery in the economy as a result of its multiplier effect exerted upon the supplier branches.

Moreover, the attractiveness of highway building is increased by the fact that this investment-intensive activity can essentially be financed from our own resources.

For purposes of activating the economy on the basis of public works, the necessary design and managerial capacities which are awaiting their opportunity have been created. If they are not utilized in the immediate future, they will become totally devastated and recovery will be extraordinarily demanding and expensive.

As of next year, major resources for investment activities will also be created within the FNM. In that year, all revenues of the FNM will be utilized to pay off the obligations from previous years at a total volume of Sk14.6 billion. In the coming year, Sk4.9 billion remain to be paid. Given identical revenues, this indicates that the remaining FNM resources will be available to finance

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modernization and the expansion of the production-technical base, including public works projects.

A special and highly sensitive problem in the relationship with the state budget is the question of remuneration. Although the state budget has identified Sk18.2 billion for this purpose, this is a relatively small sum from the standpoint of real requirements. But from the standpoint of resources, it is the upper limit. Resources available for wages could be increased only at the expense of the following:

- resources destined for the social sphere;
- investment resources;
- or by increasing the tax burden for the employed population or for business entities by possibly increasing indirect taxes.

Not a single one of these ways is currently feasible. The least feasible is an increase in the tax burden. In this phase, any across-the-board applied instrument is of little effect. That is why the budget does not contemplate implementing even one of the above possibilities. The government is not resisting returning to a reevaluation of wage payments for those categories of employees where the situation is most egregious if favorable results in the economy create more resources than anticipated by the budget.

A special problem is posed by remuneration in the educational system. In this connection, it must be said that the educational system was never in the forefront when it came to remuneration. Under the influence of movement within the structure of remuneration for employees in the whole national economy, the educational system found itself in the penultimate location. In view of the importance of the educational system to the development of society and its educational level, this is a great handicap. Increased wage resources for the educational system only present the opportunity to implement a differentiated approach to increase wages for pedagogic employees with preferential treatment for the highest-quality teachers.

One of the ways in which the financial situation of at least a part of the pedagogic employees could be improved is through legislative modifications which make it possible for some schools to engage in business activities. This would contribute not only to improving the financial situation of teachers having a material interest in things, but, at the same time, would bring some types of schools in closer contact with economic practices. On the other hand, these activities would contribute to increasing competitiveness and would thus also increase their levels. This is the way in which financial resources are acquired by pedagogic employees in all developed market economies. To go the way the Hungarian Republic has gone is unacceptable and not feasible for us. Introduction of school fees would lead to the departure of a significant number of students and would thus also result in losing part of the population which increases the inventive potential of society as a result of acquiring an education. Society can best express is gratefulness to the young generation by making it possible for that generation to prepare itself for the complicated conditions of functioning in a market economy, depending on its capabilities. There is permanent validity to the saying that it is not necessary to give a hungry person a fish, but rather to teach him to catch fish. In this case, a certain dose of popular wisdom has permanent validity. And this is also true with regard to the relationship with the young generation. Education substantially increases the inventiveness of the population. There exists a provable interrelationship between the level of education and the level of maturity within the economy. Our experience over the past decades has brought us many facts regarding this situation. Currently, it is not by happenstance that those business entities who devoted and continue to devote systematic attention to the education of their own employees are the most successful. As examples, it is possible to cite Slovnaft, Matador, the East Slovakia Steel Mills, and others.

Our society has now been trying for five years to transform the economy. But the approach toward creating and utilizing resources in the budgetary sphere continues to suffer from ingrained practices from the past. There are only a very few organizations whose management realizes that resources from the budget are not unlimited and that they must be rationally managed. Uneconomical management, even in the face of restrictive resources, more than abounds. Not even the central organs which frequently fail to fulfill their founding and controlling functions consistently are without guilt. Egalitarianism continues to exist in the wage structure. For management, this is frequently the most feasible way, but it is the least effective. Budgetary organizations are failing to adhere even to their own priorities which are based on their missions and on the fulfillment of their social function.

If the budget and budgetary policy as an instrument of economic policy are to fully fulfill their function, numerous urgent problems must be resolved in practical economic policy as well as in economic theory:

- the relationship between the social sphere and the economy and the positive influence exerted upon the economy by resolving social questions;

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- the mutual relationship between budgetary policy and monetary and fiscal policy as well as closer ties between these factors;
- the role played by budgetary policy in controlling the pace of the economy, particularly during the period prior to terminating the process of transformation and within this framework, regulating the tax burden on economic entities and households;
- support for the function of foreign capital in our economy and domestic capital abroad;
- the influence of budgetary policy upon the creation of new jobs or on job modernization;
- the role of budgetary policy in stabilizing the currency and in influencing the development of inflation, as well as other factors.

Economic theory as well as economic policy practices in developed market economies contain instructions as to how the above problems can be resolved. Unfortunately, they are not applicable to our conditions. Recipes for methods of solving these problems, utilizing the total body of knowledge which exists at home and throughout the world, must be prepared at home. We must use our own capacities in this preparation.

The criticism of the concepts contained in the state budget was aimed, apart from casting doubt upon the revenue portions, at increasing the expenditure side or at changes in the use of resources in the individual chapters of the General Treasury Report. This was a proposal submitted without any deeper argumentation. The budget was prepared by a professional apparatus and that is why counterarguments must also be justified with appropriate professionalism. Moreover, the budget represents a certain program as a whole into which the individual components fit. Individual proposals are sometimes hard to assert without a change in the original intention covering the use of resources. The importance of individual components is frequently influenced by the angle from which they are viewed. The view of the person responsible for fulfilling the budget is decisive.

Vienna Institute Reports on Economic Growth

95CH0240D Bratislava TREND in English 15 Mar 95 p 27A

[FBIS Transcribed Text]

WIIW Analysis: Economic Growth Despite Political Instability

The Vienna Institute for International Economic Comparisons (Wiener Institut fur Internationale Wirtschaftstvergleiche—WIIW) issued a report on the economic situation in transforming countries during 1994, including prospects for development in 1995. The analysis of Slovakia's economy suggests the reasons why some non-Slovak experts predict the future development of the country more carefully than their Slovak colleagues.

It seems that the Slovak economy has overcome the major problems related to the economic reforms following the split from the Czech Republic in 1993.

Despite an unstable political situation, the GDP increased by 4.3 percent during the first three quarters of 1994 as compared to the same period of 1993. This increase was one of the highest among the reforming countries.

The private sector produced roughly 40 percent of the GDP, estimated the WIIW. According to the Slovak Statistics Office and the European Bank for Reconstruction and Development, it was over 50 percent.

Compared to the same period in 1994, total industrial production was 6.1 percent higher during the first three quarters of 1994. With an increase of 9.9 percent, industrial production by the private sector formed 53 percent of the total. Production by state-owned enterprises grew by 2.1 percent.

Despite the fact that total household income increased by 3.2 percent, private consumption went up only by 1.2 percent. Private savings in banks increased imperceptibly. Consumer prices in 1994 grew by 14 percent, which is higher than in 1993.

The second wave of privatization accelerated after the government of Vladimir Meciar fell in March 1994. Despite Meciar's perpetual criticism, the voucher privatization method became very popular among the citizens. The interim cabinet of Jozef Moravcik had scheduled the beginning of the second wave of voucher privatization for December 15. However, after winning the early election in September and creating his new cabinet in December, Meciar indefinitely postponed this as soon as he took office.

At present, the government is re-evaluating privatization projects that were approved by the interim cabinet. The total offer of property for voucher privatization is expected to be Sk50 [koruna] billion ($12.5 billion), as opposed to the Sk63 billion ($1.9 billion) offered by Moravcik.

Fiscal policy in 1995 is burdened by the debt service totalling Sk36 billion ($1.1 billion), which equals 23 percent of the expected budget expenditure.

Despite the election campaign promises of Meciar's Movement for a Democratic Slovakia to subsidize industry and to enlarge the social network, Meciar's

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provisional state budget for the first quarter was more strict than the budget drafted by Moravcik.

Though Meciar announced changes in economic policies during the election campaign, the transformation has advanced too far to allow any fundamental turn. Meciar's maneuvering space is limited by Slovakia's need for capital from international institutions who impose specific conditions. Moreover, it would be politically dangerous to change economic policies in a time of relative economic growth.

The WIIW is expecting Slovak GDP growth in 1995 to slow down to an annual rate of 2 percent—mostly due to the increasing number of bankruptcies, hesitant privatization, possible complications in Slovak's relations with the Czech Republic and the uncertain future of semi-finished exports (such as steel). Even though imports of investment goods, such as technologies and equipment, will probably grow faster than exports, Slovakia's trade balance might be saved by income from tourism and transit. According to WIIW, the inflation and unemployment rates may increase slightly, up to 15 and 16 percent, respectively.

Labor Productivity Grew Faster Than Real Wages

The turn in the relation of the GDP, labor productivity and wage development in 1995 can be considered a positive side of Slovakia's economic development.

With growth of 4.7 percent, the annual labor productivity increased 6 percent on average. In industry, labor productivity per capita per hour increased faster than average wages by 4.6 percent. In construction, it was 3.1 percent and 1.3 percent in businesses with more than 25 employees.

These facts are reflected in lower inflationary pressures. While the 1993 annual rate of inflation reached 23.2 percent, the 1994 inflation rate was 13.4 percent.

Increased Flow of Foreign Capital

The volume of foreign capital invested in Slovakia gradually increased in the course of 1994 to reach a total Sk16.5 billion ($551 billion). The foreign investment growth of Sk5.7 billion ($178 million) in 1994 started with Sk0.7 billion during the first quarter, fell to Sk0.6 million during the second quarter, but rose to Sk1.6 billion and Sk2.8 during the third and fourth quarters, respectively.

Foreign investors preferred increasing the capital in already existing companies to establishing new enterprises.

Some Sk46.9 billion headed to the trading sector, car repairs and services. The processing industry attracted 39.6 percent of the investment and 8.8 percent went to the insurance and fiscal sector.

Most of the foreign investment in 1994 came from Germany (25 percent), followed by the Czech Republic (22.5 percent), United States (17.4 billion), Austria (13.4 percent) and Great Britain (7 percent).

Ahead of Austria, the Czech Republic, United States and France, it is Germany that tops the list of total foreign investment in Slovakia.

Despite its significant increase, the flow of foreign capital to Slovakia is still low compared to the other countries of the Visegrad four (Czech Republic, Poland and Hungary). It is also low with respect to the need of the country's economy.

Former Finance Ministry Officer Views Economy

95CH0223B Prague EKONOM in Czech 12 Apr 95 pp 63-64

[Interview with Jozef Trojak, candidate of sciences, director of the department for financial policy and forecasting at the Ministry of Finance of the Slovak Republic, by Marcela Zabojnikova; place and date not given: "Starting Out From a Realistic Situation"]

[FBIS Translated Text] Jozef Trojak, candidate of sciences, (in the former Moravcik government, he functioned as a state secretary in the Ministry of Finance of the Slovak Republic) is the director of the department for financial policy and forecasting at the Ministry of Finance of the Slovak Republic. He is a coauthor of publications on the transformation of the economy and the author of the resulting Principles of Financial Policy of the Slovak Republic. It is, therefore, natural that it was precisely to him that we addressed several questions having to do with the program of revitalizing the Slovak economy.

[Zabojnikova] Some time ago, we spoke of the Principles of Financial Policy of the Slovak Republic on the pages of EKONOM as they were adopted at the end of 1993. Specifically, how much of this program has been completed since then?

[Trojak] In 1994, some of the positive changes in the development of many macroeconomic indicators were accomplished, which points to the possibility of stabilizing and expanding the economy. However, estimating the further pace of economic growth is quite complicated, because in 1993, the year from which we calculate the pace of growth (the first year of Slovak independence), negative development trends expressly predominated. For example, they had to do with the GDP, which, expressed in constant prices,

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declined by 3.2 percent in comparison with 1992 (a natural consequence of the breakup of the republic, the liberalization of prices, the introduction of a new taxation system, the change in the methodology of monitoring indicators in accounting, specific reactions in the business sector, the worldwide economic recession, the disintegration of markets, etc.). This indicates that in judging developments for 1994 it is essential to focus attention also on the comparison with 1992. If there is a sharp failure of the economy in a certain year, it is realistic, under certain conditions, to expect that the possibility will exist of bringing the economy back to its starting point and doing so even by extensive methods. This process is naturally reflected in the pace of growth which is at least equal to the pace prior to the decline, which is also partially the case regarding the economy of the Slovak Republic in 1994. I do not want to cast doubt upon the results achieved in macroeconomic indicators, but only to mention the reality of their economic evaluation.

[Zabojnikova] Is it possible, therefore, to anticipate that subsequent economic development will no longer primarily be determined by the need to eliminate sudden specific negative influences?

[Trojak] Yes. Economic development will be increasingly capable of being influenced only through intensive measures. The higher the level of a state's economy, the more difficult it is to achieve its growth and the greater is the likelihood that the pace of growth will be slowed. If, given the generally listed factors, we keep in mind some of the specific factors recorded in 1994 (for example, the interyear decline in investments in current prices which attests to extensive rather than intensive expansion, the unsatisfactory status of the economy from the microeconomic view, or the influence of measures in support of exports and the temporary influence of the import surtax), then we must reach the conclusion that to estimate further growth in the Slovak economy is extremely difficult.

[Zabojnikova] For what reasons?

[Trojak] There are several. This is also attested to by a fact which makes the macroeconomic results of last year more realistic. It is primarily necessary to conduct deeper partial analyses following the acquisition of definitive statistical data for 1994. According to the preliminary estimate of the Statistical Office of the Slovak Republic [SUSR], last year's GDP growth rate, expressed in constant prices in comparison with 1992, amounted to only 0.84 percent. This means that, in comparison with the failure of 1993, and if we wish to achieve a lasting growth in 1995, we must create growth impulses which have a long-term effect. Domestic demand declined in constant prices in the third quarter of 1994, compared to 1992, by 2.3 percent, which, among others, indicates the necessity to continue supporting exports because the possibility that the economy will be revitalized through domestic demand is highly unlikely. It is necessary to strive for exports having a high measure of added value, we must see to it that raw materials or semiproducts which are in short supply for the domestic processing industry are not exported. It is necessary to safeguard changes in exchange transactions, the development of which is not satisfactory. As far as investments are concerned—as components of utilizing the GDP—they declined, in constant prices, compared to 1992, by 17.9 percent and the interquarterly pace of growth regarding the influx of foreign investment capital to the territory of the Slovak Republic between the third quarter of 1993 and the second quarter of 1994 also declined. To the extent to which we wish to achieve the goals identified in the Program Declaration of the government and we wish to change the quality of production and the growth of the GDP, resources for these investments and their effective allocation remain an open question. The interyear inflation estimate by the SUSR for the end of 1994 was 13.4 percent; it is 3.4 percent higher than was the case for 1992. Unemployment stands at 14.2 percent and is 3.8 percent higher than was the case in 1992. The economic index of dissatisfaction, defined as the sum of the inflation rate and the unemployment rate, rose in 1994, in comparison with 1992, by 7.2 points, that is to say, from 20.4 to 27.6. In 1992, real wages grew in comparison with 1991 by 8.4 percent; in 1993, they declined in comparison with 1992 by 4.5 percent; and for the three quarters of 1994, they grew in comparison to the lowered level of 1993 only by 2.7 percent. This is an indication that it is highly unlikely that substantial increases in consumer demand can be anticipated as impulses of growth for the GDP.

[Zabojnikova] How do you anticipate developments of the GDP, of unemployment and inflation to occur?

[Trojak] These data can be read in the Program Declaration of the Government of the Slovak Republic. The basic orientational data speak of achieving a 5-percent increment in the GDP, 12 percent unemployment, and as regards inflation, it should be less than 10 percent.

[Zabojnikova] Are these intentions realistic?

[Trojak] This is already a more complicated question. In responding to it, it is necessary to proceed from a certain degree of familiarity with our economy; one must weigh which factors are active in it and whether we are capable of and will know how to connect them, let us say, with the process of creating the GDP. If we

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fail to analyze the status of utilization as it applies to the GDP and the contributions made by the added value in the microsphere, we will have a very difficult time later predicting the dynamics of growth. At our ministry, we specify what kind of factors are at work here, but we still do not know the weight of all factors because we are lacking additional partial analyses. But we figure that for 1995, we can anticipate an increase in the GDP of around 2.8-3.2 percent. This is based on the reality about which I spoke in answer to your previous question. I believe that the best starting point for determining the goals of economic expansion is recognition of the realistic situation within the economy and mastery of the opportunity inherent in its further movement. It is necessary to be familiar with the problems, it is necessary to recognize the starting base and use it to model subsequent approaches involved in revitalizing the economy in which we are interested.

[Zabojnikova] In this connection, how would you evaluate the activities of Slovak enterprises last year?

[Trojak] If we respond to this by citing the results of economic management, it is possible to say that the profits which were achieved and which create a substantial portion of the revenues for the state budget in the form of income taxes, stemmed primarily from monopoly-type production. This means that it is based on the gas industry, the energy industry, the water management industry, and commerce, but one can also speak of a certain shift in production in the cellulose and paper industry and in the consumer industry.

This is a serious finding. To tell the truth, we expected that the greatest advances would occur in entities engaged in the competitive environment, where there are more manufacturers and providers of services. However, for the present, this has not occurred. And the number of money-losing enterprises has not declined.

[Zabojnikova] That surprises me, because in a recent interview with the chief of the Ministry of Economics of the Slovak Republic, the claim was made that around 150 state enterprises were in liquidation and that the state was not paying the bills for any money-losing enterprises. Where, then, is the truth?

[Trojak] The number of existing money-losing enterprises—and these include some with long-duration losses—is a fact. The state is deprived of taxes not only from these enterprises, but also as a consequence of their being insolvent. The mistake occurred as far back as the initiation of economic reforms. We liberalized the conditions for management at state enterprises to such an extent that we are actually losing property. I do not wish to generalize, but enterprise management frequently acts in a manner which perpetuates losses, but the founders not infrequently provide management with salaries as though they were showing no losses. And management frequently profits from renting out property, machinery, and buildings, while failing to safeguard the fundamental activities taking place in the enterprise. It is a paradox that an enterprise showing sustained losses has an adequate quantity of resources at its disposal to pay wages, but cannot afford to pay taxes and makes the argument that it is insolvent. In other words, wages are paid from different resources, mostly on the basis of write-offs. This gives rise to a situation in which an enterprise does not expend resources for renovation, but for wages. We are eating up our property, which is deteriorating, and we are living on substance alone. This situation cannot be accepted any longer because it impoverishes everyone.

[Zabojnikova] How will the high measure of insolvency be resolved?

[Trojak] Certain systems solutions were adopted as early as 1993. We were basing them on an analysis of insolvency and on differentiating between primary and secondary insolvency as well as the kind of insolvency which occurred without these enterprises being responsible for it. For example, this involves the situation which exists in the armaments enterprises, which were still highly interesting from the standpoint of creating resources some four years ago and which are money-losing propositions today, but not of their own doing. The decision to convert armaments reduction by the shock method impacted very specifically on the Slovak Republic. But even here situations frequently develop in a way they should not. In many of these enterprises, various corporations with limited liability were created which were supposed to function as revitalizing elements. Frequently, however, the situation is reversed: The enterprise continues to show high losses, a high degree of insolvency, and even though it may produce some sales, the proceeds flow to the creative corporations with limited liability which then virtually redistribute these resources. Management comes in for its share, but the enterprise continues not to prosper and remains—so to speak—saddled with the debts of the state around its neck. From the standpoint of the program to revitalize the economy, it is basic that we should support capable enterprises or their parts which are in harmony with structural intentions and whose projects constitute the prerequisites for the production of convertible goods and services and form the bases for effective valorization in foreign markets with systems-wide measures. This should also include the approach to solving insolvency—enterprises without high-quality projects should go bankrupt. There are even additional possibilities for solving this problem:

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State enterprises which do not have approved privatization projects should be changed to state stock corporations. This is a seemingly formal matter, but it embodies economic content. It would be possible to capitalize their claims—where they are still insolvent. As far as resolution of insolvency is concerned, one cannot get by here without tightening up economic and financial discipline, without introducing—even on a temporary basis—systems which make it impossible to establish new incidences of insolvency. In some cases, direct or indirect assistance by the state will be unavoidable.

[Zabojnikova] Problems continue to persist in the relationship between the government and the National Bank of Slovakia [NBS]. How do you feel that their subsequent mutual relationship should develop?

[Trojak] As long as we say that the economy contains certain banking-monetary and financial-economic instruments, coordination of procedures and collaboration between institutions which have these mechanisms and instruments under their jurisdiction must be accomplished. The bank should realize that their principal mission is a relationship with the business sphere. If they fail to perceive this relationship as a priority, a situation can develop in which they themselves will be closing themselves off. This is a procedure which is actually facilitated by, among other things, the high interest rate charged on credits to cover particularly the domestic and state debt (in 1994, the rate ranged from 16 to 24 percent). And this is a state debt—of approximately 54 billion korunas—left over from the period of the federation, the bonity of which is, to a certain extent, the consequence of what are not exactly useful decisions for the Slovak Republic. The interest rate charged on the state debt has broad interconnections. Among others, it leads the state budget to issue state treasury certificates; the latter are purchased for the state budget at more advantageous interest conditions by the commercial banks which act to narrow their possibilities to provide business credits. It is also for this reason that the Ministry of Finance attempted, in 1994, to open a relationship between the government and the banks as a very serious problem requiring fundamental solution. The bonity of the internal state debt and the high interest rate charged for its credit coverage led us to the conclusion that we should solve a portion of the domestic debt resulting from the period of the federation at the expense of the National Property Fund [FNM]. This would result in the creation of room for supporting developmental programs on the part of the state budget, namely the level of resources necessary to expend on debt payment, but also resources to pay the interest the state pays to the NBS. The Principles of Financial Policy for 1993 proposed that the interest rate on this type of state debt not exceed 2.5-3.5 percent. This was one of the other opportunities for solution; today, the above proposal is becoming reality to a certain extent. In my opinion, parliament should take note of this problem because it has the controlling function over the National Bank. The budget of the NBS should specify in detail what kind of resources it anticipates to acquire in this manner and how they are to be applied. The justification and rationalization of expenditures following such an evaluation would objectivize even the amount of the free remainder of the NBS profit to be paid to the state budget. This would render the relationship between the NBS and the state budget transparent and would not lead to tensions which benefit neither one nor the other party and least of all the citizenry and businessmen who bear the consequences of such a relationship in their taxes.

[Zabojnikova] In conclusion, can you familiarize us with your notion regarding the functioning of financial-economic and banking-monetary instruments in the process of revitalizing the Slovak economy?

[Trojak] I consider that financial-economic and banking-monetary instruments are the catalysts of the transformation process. That is why their formation, their perfection, and their systems-coordinated function are of great importance. We do not have any resources to take care of the across-the-board revitalization of the economy and this would not even be in agreement with the process of economic transformation. It is enough to have perhaps 8-10 decisive substantive programs for revitalizing the economy, which are oriented toward fundamental structural changes. By the interconnection and coordinated functioning of instruments—the state budget, taxes, customs duties, interest rates, rates of exchange, etc.—as well as other measures, it is possible to achieve the desirable multiplier effect of revitalization. Those spheres of business activity which do not have a structural standing and regional priorities should be left to operate under generally invalid conditions.

Investment Fund Problems Endanger Investments

95CH0240C Bratislava TREND in English 22 Mar 95 p 27A

[FBIS Transcribed Text]

Problems of Fund PSIPS Endanger Position of Other Investment Funds

At the Banska Bystrica phone number 088-42118 one reaches only an answering machine. In the name of the investment fund PSIPS, the voice at the machine announces that "by the decision of the Finance Ministry on March 3, 1995, activities of the fund have been stopped indefinitely."

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The Fund, which promised in July 1992 to buy back its shares for Sk20,000 [koruna] ($625) from all shareholders who invested their 1,000 investment points and then became the second largest investment fund in Slovakia, is in trouble.

Two years after that, the PSIPS founder Slovak Investments l.l.c. in Banska Bystrica, addressed the shareholders and signed a purchase contract with some 70,000 people to sell 20 PSIPS shares for Sk20,000 by March 6, 1995.

Besides that, Slovak Investments signed a contract with some 27,000 shareholders to buy their shares for Sk12,000 by the end of June, 1994.

The latter got their money. The former ones did not.

Lately, the fund PSIPS invited all the shareholders to a general meeting for Thursday, March 23. They are supposed to decide, how should the company solve its debt towards those shareholders, who signed the contract for Sk20,000.

The Slvak law forbids an investment fund to purchase its own shares. PSIPS found most of its shareholders mostly because of the promise to buy their shares for Sk20,000—which would have been an illegal thing to do.

Already back in 1992 it was obvious that the law would be broken. However, the Finance Ministry took action only in 1994.

In September last year, after the state supervisory body carried out a control in PSIPS, the ministry decided that PSIPS would have a directive management. That means that the original manager Capital l.l.c. had to be replaced by a company appointed by the ministry. Directive management cannot last longer than six months. Since the state supervisors agreed that PSIPS was unable to keep its bindings towards the shareholders, they decided to take away the fund's license after the six months of directive management passed in March.

The ministry explained the decision citing the PSIPS's illegal management of the finances. It also filed charges to the General Prosecution for fraud.

Slovak daily PRAVDA wrote March 15, that the PSIPS founder, the Slovak Investments, signed a contract with the fund PSIPS in November 1991. Based on this contract, the founder invoiced the fund for three percent of the value of PSIPS property during 1992—which was over Sk125 million. Ministry officials believe the manager got the money illegally, because at the time, the fund yet did not have shares from the first wave.

Capital l.l.c., the manager, invoiced PSIPS for Sk106 million in 1993. The ministry believes the amount to be illegally high.

In 1994, PSIPS covered most of the Slovak Investments' payments, including the value added tax. The amount paid this way totalled up to Sk150 million.

The ministry also found out that the board members of the fund were paid over Sk3 million in 1993, even though the fund was then losing money.

The PSIPS board reacted to the article in PRAVDA, but did not deny the ministry's accusations. The board sent a statement, which, among other things, said that the directive management prevented the board of PSIPS from arranging to pay the shareholders the agreed Sk20,000.

The statement also described intentions of PSIPS to liquidate the fund by dividing the property among the shareholders.

The authors of the statement stressed that, the unexpected ministry's decision made 20 days before the scheduled general meeting of the PSIPS shareholders gave stop to boards decisionmaking over the fund's future.

During the first wave of privatization, PSIPS acquired 188 million of investment points from 198,671 citizens. The fund invested those into 154 shareholding companies. Some 62 percent of the PSIPS portfolio were Czech ventures, and 38 percent were Slovak ones. According to the estimations made early in 1994, PSIPS's property was worth Sk3.962 billion.

The Fund issued its shares March 6, 1994. The shares were issued on name and had limited transferability. The shareholders could trade them only with a permission of the fund's board.

In 1992, the Fund lost Sk888,000. In 1993, the losses exceeded Sk303 million.

The PSIPS case is happening at the same time as the finance ministry is drafting amendments to the laws about securities and investment funds. According to the reliable sources from the ministry, the amendments are aimed to limit the influence of the investment funds in privatization, as well as the funds abilities to manage the investment points of the citizens.

PSIPS has provided enough arguments for the ministry for its attempts to establish strong regulation at the capital market.

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Article Reviews Republic's Payments System

95CH0223C Bratislava HOSPODARSKE NOVINY in Slovak 7 Apr 95 p 4

[Article by Anna Pastuchova, candidate of sciences, director of data processing of the National Bank of Slovakia: "Principles of the Payments System in the Slovak Republic"]

[FBIS Translated Text] An effective payments system is an integral part of the financial infrastructure of an economy. Its introduction is "top priority" mainly for the former socialist countries which are making a transition from the centrally planned economy to a market economy. A payments system which is composed of a set of rules, institutions, and technical means to facilitate the "transfer of money" is broadly determined by the requirements of the market. For purposes of illustration, it is possible to identify three important areas of commercial operations which provide the impetus for the development of payments:

- payment orders issued by clients to pay for deliveries of products and services;
- settlement of international payments and trade transactions in financial markets;
- settlement of trade transactions involving securities;
- settlement of options and futures transactions.

Generally, it is true that in the interbank money market and in the securities market a well-functioning and effective payments system even plays a key role.

Payments obligations arising between economic participants in the market require real financial resources for purposes of settlement. In a "nonbarter" economy, these resources are simply represented by money. If we disregard the cash payments system, then it is precisely the banking system which represents the relatively complicated instrumentation involved in implementing the cashless payments system within a market economy. Such an economy is described, among other aspects, also as being an economy in which a two-step banking system exists: There is a network of commercial banks and a single central bank. The commercial banks generally provide banking services mostly to nonbanking entities and the central bank—in addition to being a bank for banks and the bank of the state—has the sole right to act as the bank of issue for bank notes and coinage.

The basic services performed by the banks involve the acceptance of deposits and the granting of credits. Important derived activities are connected with this activity on the part of the banks, that is, the bank must create and maintain deposit and loan accounts for its client. The maintenance of these accounts is linked to supplemental bank services aimed at acquiring clients, the most important service being the execution of payments contacts and accounting functions pertaining to these accounts. A typical payments instrument tied to the client account involves orders to may payments, orders to make collections, exchange transactions, checks, payment cards, etc.

It is a known fact that a client will prefer making cashless payments through his account at a bank over the cash economy only if he perceives that there are advantages connected with depositing money in the bank and that these advantages are greater than those he would gain if he held his money in ready cash. If we disregard the well-known theory of the cost of money in the form of "lost interest" resulting from holding money in cash, we find another substantial aspect at work: price stability. If, for example, inflation in the country is high and if the cashless transfer through a client's bank takes many days or weeks, the implementation of such a payments contact becomes connected with generally high costs. The individual entities involved in this payments contact very quickly gravitate toward a less efficient and thus more expensive alternative means of payment, that is to say, they opt to pay in cash, they engage in barter trade, or they make payments in foreign currency. In the event of utilization of the latter two methods of payment in the domestic payments system, a loss of confidence in one's own currency results. The above-listed alternative methods of payment can become interesting for a client if the costs connected with their use are lower than the rate of inflation which is devaluing his bank deposits.

As we have already noted, the maintenance of deposit accounts, the provision of loans and services connected with the maintenance of these accounts, which are performed by the bank for a client, are the services involved in payments contacts. Within the framework of competition, banks should provide clients with an attractive "money transfer" system, which simply means that they should conduct payments contacts for clients in a reliable manner, rapidly, at low cost, and that the settlement of transactions should be documented. The maintenance of accounts cannot be connected only to the making of payments, but also involves the bank's ability to accept payments and perform the conversion of all payments instruments in the account of the client (marketing strategy of services used in payments contacts). The system of cashless payments contacts can be perceived to exist at two levels. One involves the payments contacts which take place "within" the bank, that is to say, generally within the framework of settling client payments between client branch banks

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and the headquarters of the same bank. We call the above payments contact the internal bank payments contact. The design of this type of payments contact and its management lies fully in the jurisdiction of the given bank, taking into account the generally valid legal rules issued by the National Bank of Slovakia [NBS].

A completely different situation ensues when the recipient of a payment is a client of another bank. In such a case, the institution of the interbank payments contact comes into play and we witness its various forms. The classical bilateral relationship involved in interbank settlement as "each bank settling with every other bank" has been overtaken as part of the current domestic payments system in view of the large number of banks involved. In such interbank payments contacts, two banks always create so-called nostrum accounts for themselves in which they carry resources to cover mutual client payments. It must be added that by using this method, the bank incurs costs in the form of fees for maintaining such accounts and services performed with respect to such accounts, not to mention that these accounts "absorb" a considerable portion of its liquidity. The banks themselves very quickly understood the inevitability of concentrating these activities and resources for purposes of acquiring multiplier advantages. Such advantages are undoubtedly made available to them through the method of interbank payments contacts known as clearing.

The bank concentration is determined by the number of banks, the type of bank, and the dominant standing of the large banks in the market, as well as the geographic environment in which the banks operate. The geographic segmentation is decisive with respect to local or regional clearing settlement. Of the present number of 30 banks in Slovakia, most of the bank headquarters are concentrated in Bratislava. If we assume that clearing operations in the Slovak Republic are accomplished at the level of these bank headquarters, then the existing design of a centralized model of clearing is acceptable. The clearing model utilized is also in agreement with the documentable trends which exist on an international scale, that is to say, trends indicating increased concentration of clearing settlement operations in an ever shrinking number of banks. Interbank payments contacts and settlement are handled for the banks located in the Slovak Republic and for branches of foreign banks by the Bank Settlement Center for Slovakia, joint-stock corporation (BZCS), which began settling clearing transactions for banks on 8 February 1993.

The philosophy of interbank payments contacts and settlement (clearing) is based in this country on the principle of covering these payments from bank reserves. To better understand this, we can visualize clearing as a technological system of electronically recorded payment orders by banks involving clearing accounts maintained by the BZCS. At the end of the settlement day, it is necessary to cover these obligations of banks which came into being as a result of mutual settlement and which are in the form of "electronic money" through real financial resources. These resources are the mandatory minimum reserves at banks (PMR) deposited in accounts in the central bank. The actual purpose of the PMR is a certain blocking of passive transactions by banks in the accounts of the central bank. Their primary goal, however, is to regulate the development of the money supply and to thus influence the aggregate supply of available money.

In our case, clearing serves these reserves as a sort of insurance—a collateral—that is to say, in case the clearing settlement is exceeded, it is possible to cover this excess through bank reserves. In view of the fact that in this country PMR do not bear interest, the banks strive to maintain a minimum volume of reserves having to do with interbank clearing requirements. In the event the bank becomes "financially stressed," the central bank acts as a stabilizing factor because it makes it possible to cover clearing obligations incurred by the bank from reserves or through an emergency loan (overnight loan). In such a case, the bank is called the "institution of last resort."

How does the clearing of payments operate among banks headquartered in the Slovak Republic? The banks deliver payment orders to the Slovak clearing center (BZCS) calling for payments and collections (in the form of paper, media, electronic transfers) aimed at other banks on D-Day. The BZCS conducts the clearing accounting of mutual claims and obligations of the banks on D-Day plus one and delivers the data output to the banks (including the central bank). The banks are obligated to settle these data outputs in the accounts of their clients and in their own accounting system at the latest by D-Day plus two. The above procedure means that the client of the bank receives information indicating that the time at which a sum is deducted from the account of the client at the bank of the payer and is credited to the account of the client at the bank of the recipient cannot exceed a maximum of three days.

Our consideration of the payments system in Slovakia can be concluded by evaluating the clearing method of settlement applicable in the Slovak Republic. In this case, it is suitable to follow up on the Report of the European Community Committee of Governors of the Central Banks of Member States from November 1993 which defined the minimum common characteristics of domestic payments systems in principle No. 4 as follows: "Each member state should establish its own payments settlement system as soon as possible on the

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real-time gross settlement principle." Such a system is generally referred to as the RTGS system. The essence of this system is the fact that each payment order is recorded in the accounts of the bank individually (gross basis) and the settlement of these payments is accomplished at that time (real time) in the accounts of the central bank.

The Slovak clearing system is in accord with the requirements of the European Community because it is a typical "gross settlement" system. However, the question of settling the resulting net balances of clearing in the accounts of the central bank in real time needs to be subjected to deeper analysis from the standpoint of coordinating payments systems in accordance with the requirement of the European monetary institution. The process of interbank settlement can be indicated schematically as shown below [chart not reproduced].

In evaluating Slovak clearing operations, we can help ourselves some more by referring to the general characteristics which are used within the framework of evaluating the function of important clearing systems in Europe and throughout the world.

Summary profile of clearing settlement in the Slovak Republic:

- Type of system: gross settlement with the central bank having the opportunity to limit credit
- Year activities began: 1993, 8 February
- Institution of final settlement: National Bank of Slovakia
- Duration of operating day: 0700-1600 hours
- Time of settlement: 1300 hours
- Number and type of participants in clearing accounting: 29 commercial banks, the National Bank of Slovakia, important financial institutions (the Securities Exchange, the Authorization Center for Slovakia)
- Average number of daily transactions: 200,000
- When is a payment settled as being final and irrevocable in the accounts of the central bank?: at 1300 hours
- What happens if there is a shortage of resources in the account of the bank at the time of settlement?: Payment orders wait in a queue when sufficient revenue does not accumulate in the account of the bank to cover the payments. In the event that sufficient resources do not accumulate by settlement time (1300 hours) to cover all payments waiting in the queue, they will be automatically rejected and returned to the bank in question.

We have attempted to sketch out the basic characteristics of the payments system in use in the Slovak Republic. We concentrated mostly on the system of interbank payments contacts and settlement, which constitutes the heart of the payments system in every country. We have attempted to emphasize the role of the central bank as an institution to safeguard the final settlement of payments transactions in the accounts of commercial banks. In conclusion, it is possible to state that the existing modern design of the Slovak clearing accounting system is in accord with European standards and is also highly regarded by such important financial institutions as the Bank of England, the Deutsche Bundesbank, as well as the technical mission of the International Monetary Fund.

Businessmen Complain of New Laws, Restrictions

95CH0240B Bratislava TREND in English 22 Mar 95 p 27A

[FBIS Transcribed Text] *"So Tell Me, What Actual Support Do I Get From You?"* asked a businesswoman at a Discussion Forum with state administration officials. Without waiting for the bureaucrats' reaction, she answered this rhetorical question herself: "None."

The Discussion Forum State economic policy and small- and medium-sized businesses in the Slovak Republic about state support for businesses, which was organized by the Slovak Chamber of Industry and Commerce (SOPK) last Thursday in Bratislava, only showed that the government officials are miles away from the everyday problems entrepreneurs have.

During the first half of the Forum, representatives from ministries, the banking sphere and municipalities presented the audience of businessmen with numerous programs aimed to support the development of small- and medium-sized businesses in Slovakia. The prospects seemed optimistic, though the businessmen pointed out in the following discussion that often the programs' financing fails to satisfy the actual demand.

The support-programs-related optimism vanished completely as the businessmen began to talk about the obstacles rooted in insufficient legislation, which they fight on a daily basis.

Hoping to satisfy the entrepreneurs' anxiety for change, Peter Kijovsky from the department for business support at the Economy Ministry described a draft of a long-expected law about state support for small- and medium-sized businesses. The legislative council of the government passed the draft last Wednesday. If approved by Parliament, it could take effect in June.

Kijovsky explained that the law would create a general framework for the government to create various supportive programs and activities whenever necessary.

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The businessmen learned that the draft did not include their request that the government earmark one percent of state budget expenditures annually to support business.

The discussion showed that more than anything else, entrepreneurs would like to see well-thought-out changes of already existing legislation, as well as the legislation that is yet being drafted. They believe this is not the case at present.

They strongly protested when Jan Vancik, head of economic policy division at the Finance Ministry, told them about restrictions the government is preparing at present.

The restrictions are included in a draft of the law that will provide a solution for insolvent companies. At present, these companies owe other subjects up to 130 billion Slovak korunas [Sk] ($4 billion). According to Vancik, the draft attempts to make the financial flows more transparent, identify the largest nonpayers, prevent tax evasions and force businessmen to keep their contracts with other businessmen on time and correctly.

In order to accomplish these aims, the draft plans to establish obligatory invoicing and sanctions if the invoicing is avoided. This means that almost all payments will have to be settled through an invoicing system. The maximum daily cash settlement will be Sk10,000 ($312).

If approved by Parliament, the law may declare bad debts tax-deductable, Vancik said. Bad debts would be considered any payments that a creditor had been unable to collect for one year. However, Vancik added that the drafters may change this before the law is approved if the government decides that it needs the taxes for the state budget.

The businessmen were enraged especially by the idea of limited cash settlements. They claimed that this would slow down the companies' cash flow, because the banking system is far from flexible. They also argued that there are payments over Sk10,000 that need to be settled immediately.

An owner of a travel agency cited a case of a client who wanted to leave for Indonesia for vacation on two days' notice. She pointed out that rules forbidding cash payments that exceed Sk10,000 would disable her agency from providing the service, because bank settlements take over three days.

The businessmen also argued that such a system would not make the requesting of payments through court any easier than at present, because the understaffed, insufficiently equipped and slow court system is already flooded by similar cases.

Basically, the entrepreneurs who came looking for answers to their basic questions related to the very existence of their companies went home dissatisfied.

The Discussion Forum ended after the banks proudly presented their products, government officials commended the business community for its "positive approach towards the government," and the SOPK promised that it would forward the concerns presented by the entrepreneurs to the relevant institutions.

Kocnar's Defection From ZRS, Activities Viewed

95CH0227A Kosice DOMINO EFEKT in Slovak 13 Apr 95 p 2

[Article by Karol Wolf and Peter Schutz: "New Independents Are Rising"]

[FBIS Translated Text] It has barely been a year since the Association of Workers of Slovakia [ZRS] was formed and it already stands in the midst of a serious party conflict which could result in its disintegration. The cluster of peculiar individuals who, under the baton of the former chief of shock brigades, decided to enter politics and begin to struggle for the right of "people to work" is no longer unified. And a single ZRS congress in its traditional bastion—Banska Bystrica—was sufficient to bring this about.

Today, the former first deputy chairman of the ZRS and cofounder of the association, Miroslav Kocnar, and his two seconds, Klement Kolnik (famous as a result of his utterances in an interview granted to DOMINO EFEKT), and Marian Polak decided to establish an independent parliamentary faction. Of course, Kocnar's speeches indicating that they do not want to go into opposition, but only to "restore to the worker policy the dimension with which it entered the elections," cannot be taken seriously. The erosion within the ZRS has all the indications of party disintegration such as we are already able to recognize from numerous cases involving breakups of other Slovak political entities. These processes, as a rule, ended with one part finding itself in opposition and this other part in the coalition. The reasons for such consequences are always developing personal aversions among former party colleagues and unsatisfied political ambitions. The latter—and this is not only the case in this instance—generally exceed their realistic capabilities. The presence of something like a political vision, conviction, or a political line plays a negligible role in the breakup of parties in Slovakia.

The desertion of Kocnar and company thus carries with it subsequent consequences. If they establish an independent parliamentary faction, they cease being

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government delegates. And not only is this on a de jure basis, but also primarily a de facto situation. To be a member of the "coalition" means not only to vote in the manner invented by Meciar, but primarily also to be rewarded by sharing power. However, today Meciar has a "healthy unsplit core" of the ZRS in the form of four members of the government and it is doubtful whether even one of them would join the "Kocnarists." It is even more doubtful that the latter would succeed in replacing at least one of the "Luptak" ministers with one of their candidates. Although the newly independent group may vote together with the coalition, the question is only how long this will be amusing to them "for free." On the other hand, there is no doubt that even ZRS officeholders in the National Property Fund, the Supreme Audit Office [NKU], and other lower levels will get close to Luptak because he is the guarantor of the coalition with Meciar and because they are holding their offices on the basis of the coalition agreements.

Finally, if we were not in Slovakia, then the statement that the "Kocnarist faction" will be more of an opposition than a government party makes good sense: Common sense tends to dictate that if I have the need to establish an independent faction, then I most likely wish to vote differently than would be the case in the original faction.

Another predictable outcome is the anticipated expulsion of the "Kocnarists" from the ZRS. This is a very serious threat in view of the continued activities by these dissidents in politics—after all, the establishment of a new worker party is somewhat more complicated than establishing an independent parliamentary faction. And that is why it can happen that Kocnar might not be able to hold on to his four faithful followers (according to information available in the lobbies, the other two are Delegate Chlebova and Delegate Garai) for long. In such a case, however, nothing would come of the actual faction because the "bottom limit" calls for a minimum of five members. And the new rules of procedure applicable in the National Council of the Slovak Republic, which are being jointly prepared by the HZDS [Movement for a Democratic Slovakia] and the SDL [Party of the Democratic Left], no longer even count on the presence of independent splinter factions.

It is thus possible that Kocnar and company will end up as isolated runners for whom the portals of the SDL or possibly the SDSS [Social Democratic Party in Slovakia] might open after a brief period of time (with the exception of Kolnik, who managed to totally discredit himself during his brief political career). In the final analysis, this is a possibility even in the event that there are truly only five "Kocnarists" and that this number will remain.

The most important conclusion based on the weekend negotiations taking place within the Association of Workers of Slovakia does have to do with parliamentary arithmetic: Although precise numbers are not yet known, it can be quietly stated that the opposition will likely improve its position by a few votes and that the coalition position will become somewhat worse. If we resort to using a calculator, we find that not even the extreme variation of "minus five" necessarily means a fundamental turnaround. Even under such conditions, Meciar would still have a "plus three" position in parliament. It is true that this is no longer as comfortable a majority as had been the case hitherto.

Therefore, it can be said of the ZRS congress that, at Banska Bystrica, the greatest losses were suffered by the one who was not even there—by Vladimir Meciar. But it would be more than premature to begin thinking about another March—that is only for those who believe in history repeating itself rapidly. Among other aspects, this is so because, even if Vladimir Meciar were to once more lose his parliamentary majority, probably no one in Slovakia today is thinking seriously about forming yet another government involving a broad coalition—including the "Kocnarists."

In other words, an erosion began within the party which has absolutely no place in the high politics of a normal state. It turned out that some ZRS delegates are still less "disposed" to engage in politics than their not-overly gifted colleagues from the SNS [Slovak National Party]. At least the latter control the minimum: Because they have gotten to where they could not even act as janitors in a civilized country, they at least know enough to keep their mouth shut and stay in step.

And, in conclusion, it is suitable to add one other thing: Each dispute within the ZRS and its subsequent weakening is an immense contribution to this country. It is a contribution which we are not even able to fully appreciate today because we have no idea what could happen here if Luptak were to acquire not 7 percent of the votes, but, let us say, 20 percent. And Mr. Kocnar is due our thanks for the fact that he has nevertheless managed to delay the fulfillment of this notion in real life, commensurate with the possibilities available to him.

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Keleti, Austrian Minister Discuss NATO, Croatia

LD1005182595 Budapest Kossuth Radio Network in Hungarian 1600 GMT 10 May 95

[FBIS Translated Excerpt] In the second half of this year, 40 Hungarian soldiers will join the Austrian peacekeepers in Cyprus. This was announced by the Austrian and Hungarian defense ministers at a press briefing in Budapest. Gyoergy Onodi reports:

[Onodi] I think Hungary's desire to join NATO is an important stabilization measure for all of Europe, Austrian Defense Minister Werner Fasslabend said at the news conference he gave following his official talks in Budapest. It is my conviction that Europe's security can only be achieved by a policy of integration; therefore, we definitely support Hungary's endeavors to this end. [passage omitted]

The two ministers also discussed the latest western Slavonian developments of the south Slav crisis. They both opposed the deployment of military force for the purpose of achieving political objectives and welcomed all measures that can hinder the expansion of the conflict.

Fasslabend, who was in Budapest at the invitation of Gyorgy Keleti, was also received by Prime Minister Gyula Horn. He also met National Assembly Speaker Zoltan Gal and Foreign Minister Laszlo Kovacs.

Rapid Deterioration in Slovakia Situation Seen

LD1005164795 Budapest Kossuth Radio Network in Hungarian 1000 GMT 10 May 95

[FBIS Translated Text] According to leaders of the Hungarian parties of Slovakia, while Hungary is still hoping to conclude a basic treaty with Romania in the near future, there is no political will in the leadership of the Slovak parties to ratify the Hungarian-Slovak basic treaty. This has emerged during a meeting of the Hungarian Socialist Party's Central and East European Section. Kata Peli Nagy reports:

[Nagy] The Hungarian foreign affairs leadership is of the view that in spite of a signed basic treaty, the situation of Hungarians in Slovakia has been rapidly deteriorating. There is a language bill under preparation that is in sharp contrast with the basic treaty; Slovakia is preparing for the introduction of an alternative school system that is disadvantageous for the Hungarian community; and it happens that, for the first time, money for the support of minorities has not been earmarked as a separate item in the budget. These examples were mentioned by Csaba Tabajdi, state secretary in charge of minority affairs at the Office of the Prime Minister.

The Hungarian-Slovak basic treaty will be ratified by the Hungarian parliament on 22 or 23 May. We do not, however, have the slightest idea when the Slovak parliament will do the same.

Miklos Duray, chairman of Coexistence, the strongest party in the Slovak parliament, sees little chance of the treaty's ratification by the Slovak parliament. The Slovak government coalition consists of three parties. One of the parties categorically rejects the treaty and the other two are divided. We cannot count on the opposition either—except the Hungarian deputies. That is to say: There is no political will in Slovakia to keep the basic treaty alive.

Miklos Duray reported that bills the approval of which would entirely contradict the basic treaty are under preparation.

Laszlo Szarka, one of the leaders of the Hungarian Academy of Sciences, described the situation in the following way—and I quote: The signing of the basic treaty has not resolved anything other than getting round Western diplomatic pressure.

Housing Construction Increases Reported

95CH0230A Budapest HETI VILAGGAZDASAG in Hungarian 18 Mar 95 pp 63-64

[Unattributed article: "Out of the Pit—Housing Starts"]

[FBIS Translated Text] For the first time in 10 years, in 1994, housing construction did not decrease in Hungary. Even so, the number of housing units completed in 1994 was less than one-half of those built four years ago. Nevertheless, people who built their homes recently were not content with as little as those who had built their homes earlier: There was a slight increase in not only the size of the new homes but also their comfort level.

Last year, only 22 more homes were built than in 1993, the "black year" of home construction (HETI VILAGGAZDASAG, 26 March 94). Although the number of completed new homes was fewer than 21,000 last year, Marta Szabo, an official at the home statistics department of the Central Statistical Office [KSH], considers it likely that the decreasing trend that lasted for exactly a decade has bottomed out: "From here, the only way is up; one can only build more than before." In Szabo's opinion, it is cause for some optimism that nearly 3,500 more people applied to local governments for building permits in 1994 than in the previous year.

The current increase is presumably due largely to the fact that whoever was able to, hastened the pace of construction—namely because in this way, they could

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obtain the increased welfare subsidy before it lost its value. However, when the construction of the 27,152 homes approved by the authorities last year will be completed is uncertain. It is an ominous sign that the time between the start and the completion of construction has been increasing for years (The average construction time, which increased by another month compared to the previous year, now amounts to 768 days.) The number of constructions in progress in 1994 was more than four times the number of homes delivered by contractors. Only 5.5 percent of the homes occupied last year were built in the course of a single year; most homes were started more than three years ago.

There are fewer businesses among the clients of builders (their share decreased from 17 percent in 1992 to 10 percent); the majority of businesses do not consider home-building a very profitable enterprise. The willingness of local governments to build apartments grew to a slight degree—although in 1994, this meant hardly more than the completion of 400 new apartments. (Two years ago 363, and four years ago 2,500, apartments were built from local government funds.)

The number of homes built by homeowners decreased slightly. Still, 87 percent of homes completed before 31 December 1994 were built by private persons. Construction companies worked on only one-fourth of the new homes. Among the contractors, there was an increase in the number of single proprietors and partnerships carrying out construction work but not as their main occupation.

Home-building solutions that require little capital are still popular. The number of people who create a home for themselves by enlarging or modifying existing buildings rather than putting up a new building is increasing year after year. (Within the entirety of the sphere of home construction, their share has doubled within the past five years.) For instance, the improvement of home-building figures last year was due partially to the reconstruction of former Soviet barracks and workers hostels into apartment buildings, but the era of converted lofts is not over yet.

Last year, 18,000 new homes were built, with the majority—80 percent—single or two-family homes. Three-fourths of the buildings are single dwellings. Construction of multifamily dwellings is less popular, and construction of housing developments occurs only sporadically. In 1994, only three medium-sized—five- or six-story—buildings were built in Hungary; 86 percent of new homes were one or two stories high.

Most new homes have two, two and a half, or three rooms, with an average area of 101 square meters. This is four square meters more than in 1993, and six square meters more than the homes built in 1992. Last year, the supply of new homes with utilities continued to improve. Running water was available in 94 percent of the homes, sewage disposal in approximately 40 percent, and natural gas in 67 percent.

The increased desire to build is characteristic mainly of the cities. In smaller communities, an inverse trend is apparent. The economic situation of a given area is also a determining factor: Last year, fewer homes were built in Borsod-Abauj-Zemplen County, with its 740,000 inhabitants, a region in crisis, than in Gyor-Moson-Sopron County with its 430,000 inhabitants. In Budapest, on the other hand, 18 percent fewer homes were built in 1994 than in the previous year, due largely to a lack of land and the resulting exorbitant prices.

The overwhelming majority of homebuilders are in the higher income brackets. Those with lesser means try to acquire a home on the secondary housing market through the purchase and exchange of existing homes.

Hospitals' Financial Crisis, Reform Efforts

95CH0230B Budapest HETI VILAGGAZDASAG in Hungarian 15 Apr 95 pp 103-105

[Article by Ibolya Jakus and Patricia Molnar: "Amputation—Hospitals on the Brink of Failure"]

[FBIS Translated Text] The National Healthcare Administration is planning to eliminate or turn into nursing home beds more than 30,000 hospital beds, beginning with a dozen small hospitals with 200-300 beds. However, the transformation, which "smacks of centralization" and which cites saving money as the reason, does not seem to be beneficial. The majority of even the larger hospitals are struggling with daily financial difficulties that jeopardize the ability to provide patients with food and medicine.

Jozsef Nemes, business manager of the 700-bed Saint Margaret Hospital in Budapest described the hospital's situation: "Because of our catastrophic financial situation, we canceled 32 of our 48 service contracts for our instruments; we can service only life-saving equipment—but not, for instance, X-ray machines." The hospital authorities were forced by financial constraints to give up the regular servicing of their equipment, and this is the reason they give for reducing maintenance personnel by 36 employees, turning down the heat (the thermostat was lowered by 1-2 degrees Celsius, to 19-20 degrees Celsius), and the changes in the patients' menu (they no longer have money for cheese or cold cuts; they serve rolls and marmalade instead). Doctors are increasingly influenced by monetary considerations in

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the choice of medicines: Therapy permitting, they substitute cheaper preparations for more expensive ones.

The hospital's budget for this year, including the outpatient clinic and the health center, is expected to be 1.2 billion forints [Ft]; 60-65 percent of that amount covers wages and benefits—but as the business manager said, they are regularly late in paying benefits, and the delay is greater each month. Nemes said: "We are still able to pay our daily suppliers, but if the situation does not change, we can announce bankruptcy by the end of May."

The inpatient care situation is made more difficult by the fact that the social insurance administration has no budget yet for this year (the two social insurance administrations will discuss the matter on 10 and 11 April, but the budget also has to be approved by parliament). Consequently, in accordance with a temporary law, health care facilities are given one-twelfth of last year's budget each month. If a motion submitted by Socialist representative Judit Csehak and Free Democrat representative Andrea Szolnoki at the end of March and supported by the parliamentary welfare committee is passed, health care facilities would be able to receive an amount 10 percent higher than last year's until the new budget of the social insurance administration is passed. "The social insurance administrations resented the motion by the representatives, saying that they alone could move for a regulation concerning social insurance, whereas the law on social insurance administration only precludes the government—and not the representatives—from doing so," Judit Csehak told HETI VILAGGAZDASAG.

In their difficult situation, institutions are trying to generate some sort of income of their own—for instance, by caring for foreign (paying) patients, and leasing rooms. This year, Saint Margaret Hospital expects an income of Ft60 million; the Janos Balassa Hospital, considerably less: Ft 6-10 million. The Zala County hospital, which used to be fiscally sound, also took stock of its own reserves. The hospital's business manager, Istvan Heves, was among the voices drawing attention to conflicts resulting from financing according to performance as early as 1993 (see our article in the box).

Beyond the system of financing, the business manager attributes the hospital's daily financial problems to the fact that they have to this day not received Ft300 million to buy specialized instruments and equipment for the heart surgery program they instituted last year (they have performed 80 operations so far), although they have been promised this amount several times. In the meantime the instruments have arrived, but even after regrouping various funds, they still owe the supplier Ft150 million. By shutting down an old building and some additional wards, they plan to reduce the present 1,500 beds to 1,300, and they are planning to sell their recreational home in Vonyarcvashegy and some other real estate. They hope to give leases to contractors for the laundry and the kitchen as well. "We would like to buy the service from the contractor for the same price it would take us to do it, but we would ask for the lease a year in advance," the business manager said.

In spite of all this, the hospital in Zalaegerszeg can consider itself lucky, because had it reduced the average time of inpatient care to less than 10 days (the national average is 11.6 days) (this is important, because the system of financing according to performance pays less well for longer care). This is due to the fact that they were awarded a grant for home patient care. Besides Zalaegerszeg, in two other places in the country, patients are cared for in their own homes instead of in hospitals.

Acknowledging the difficult financial situation of healthcare facilities, Andrea Szolnoki emphasized at a press briefing last week that there still remain. In her opinion, contrary to current practice, not the doctor's gratuity but the hospital's income should increase when patients are placed in rooms with one or two beds. By doubling the price of abortions (except in case of financial hardship), currently at Ft5,000, health care could receive a yearly income of Ft300 million. The Free Democrat representative suggests charging the market price for sterilization procedures and cosmetic surgery with a purely esthetic purpose. According to her calculations, savings could be achieved by not having on-call duty in several hospitals at the same time. She also thinks we ought to consider charging for care beyond the time medically necessary.

In Hungary, there are currently almost 105,000 hospital beds—which, per thousand inhabitants, is 30 percent higher than the average in West Europe; and according to a survey by German hospital managers, in a country of this size, [population 10 million] one needs, at the most, 50,000 active and 20,000 chronic beds. However, the healthcare specialist of the Association of Free Democrats [SZDSZ] does not believe that the planned 30-35 percent reduction in the number of hospital beds will bring about considerable savings. "Even if they remove a few beds from the wards, the cost of heating and lighting will stay the same; this can only be reduced if entire buildings are closed down," Andrea Szolnoki said. It is a well-known fact that 20-35 percent of hospital beds are occupied for welfare reasons, not because the patients' condition warrants it. By setting up nursing homes, which have fewer expenses than hospitals, the number of hospital beds could be reduced, and this solution would also be more humane for the parties concerned.

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The study prepared in March 1995 by officials of the National HealthCare Insurance [OEP] gives a detailed diagnosis of conditions in Hungarian hospitals. According to the study, the average occupancy of hospital beds is only 67.3 percent, even in view of the large amount of welfare cases; 12-15 percent of inpatients could be cared for on an outpatient basis; the majority of inpatients who need only nursing care and rehabilitation occupy very expensive "active" beds, for instance, with broken hips, even during the 65-day period of rehabilitation, in the very expensive trauma wards.

According to the said study, the distribution of healthcare facilities according to size is also not ideal: 3,700 beds are in 31 hospitals with fewer than 200 beds, while the most beds are in 23 hospitals with more than 1,200 beds—even though according to experts, the optimal size of hospitals is around 800 beds.

The coverage of areas by healthcare facilities is also not uniform: For instance, in Szabolcs-Szatmar-Bereg, Komarom-Esztergom, and Veszprem Counties, there is a hospital every 15-30 km, whereas in many places, hospitals are as far apart as 35-70 km. The authors of the study came to the conclusion that if a portion of hospital beds were turned into nursing home beds—for which there is a large demand; 4,000 nursing home places are needed in Budapest alone—the problems of both healthcare and the welfare sphere could be solved at once.

At the same time, the OEP denies that the list of hospitals to be closed or turned into nursing homes is complete. They called mere conjecture information published in the press that the hospitals in Dorog, Varpalota, Mor, Sarvar, Szikszo, Vasarosnameny, Pincehely, Fehergyarmat, and Zirc fall in this category. However, the director of the hospital in Mor, Laszlo Pataki, told HETI VILAGGAZDASAG that he has been officially informed of the closing of the hospital. Our inquiry at a few hospitals on the list yielded the result that the most important criteria for the closing of hospitals was the facility's geographic situation and its size. To be small is a disadvantage. For instance, the 200-bed Mor hospital operates in a financially efficient way. The average cost of care is Ft32,000; the building is in good condition; and their stock of instruments, which was not bad to begin with, has become even better after they won a Ft20 million grant to modernize their intensive care unit. The only reason occupancy was reduced—but not to a level below the national average—was that they took seriously the earlier reform idea that the goal was to reduce the average length of care. The business manager of the 350-bed Szikszo hospital told HETI VILAGGAZDASAG that their facility was better equipped than any hospital in Miskolc. Besides the 60,000-80,000 inhabitants of the Abauj region, patients come to their facility from even further away. The occupancy of the obstetrics ward and the internal medicine ward is above 100 percent. It is true that Szikszo is only 18 km from Miskolc, but people who come here from 30 km away would be adversely affected by the change, especially because social insurance wants to cancel travel subsidies for patients.

Another unanswered question is the financing of hospitals that are to be converted into nursing homes. The abovementioned study states that the areas with a greater density of hospitals include industrial regions that have seen better days. Today, they are crisis areas, and it is unlikely that there is effective demand for nursing care for compensation. At the same time, it does not seem feasible to confer the cost of maintaining an enlarged network of nursing homes to the local governments, current custodians of nursing homes, because it is widely recognized that the local governments are also on the brink of bankruptcy.

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Herceg-Bosna Minister on Building of Croat State

LD1005224595 Belgrade TANJUG in English 2159 GMT 10 May 95

["Pool" item]

[FBIS Transcribed Text] Belgrade, May 10 (TANJUG)—A Bosnian Croat official said in Mostar on Wednesday that the job of building a Croat state in Bosnia-Herzegovina had been almost finished.

'The defence, internal affairs, legal, economic, health care, education and finance systems are now complete, including the customs and tariffs systems,' Radio Herceg-Bosna quoted Prime Minister Jadranko Prlic as saying.

Prlic made the statement on the occasion of the 1,000th day since the formation of the Bosnian Croat state of Herceg-Bosna. Muslim media ignored the jubilee on Wednesday, which comes as no surprise because the Muslims see the Bosnian Croat state as a noose on the neck of the Muslim-Croat Federation.

After more than a year of bitter fighting for territories with mixed populations, Bosnian Muslims and Croats yielded to pressure from Washington and signed an agreement on forming a bi-national federation in March 1994. In practice, however, the agreement has a long way to go to be really implemented.

Bosnian Croat War Crimes To Be Announced

LD1105105395 Mostar Croatian Radio Herceg-Bosna in Serbo-Croatian 1600 GMT 10 May 95

[FBIS Translated Text] We have one piece of unpleasant news from The Hague: The decision by the International War Crimes' Court on the possibility of initiating roceedings against Bosnian Croats suspected of having committed war crimes will be announced on the afternoon of 11 May, Court spokesman Christian Chartier said. According to Chartier, whose announcement was received by HINA today, the Court at its third session debated the demand of Richard Goldstone, the main prosecutor, that proceedings be launched against people suspected of having committed crimes in the Lasva Valley area during 1992 and 1993.

The Presidential Council [of the Croat republic of Herceg-Bosna] has, however, also issued a statement in connection with this. The Presidential Council of the Croat republic of Herceg-Bosna has instructed the responsible bodies of the Croat republic of Herceg-Bosna to give priority to perfecting the procedure for gathering evidence of the crimes committed by Bosnia-Herzegovina Army formations against the Croat population in the villages of (Cajdraz), Bukinje Kuce, and Krizancevo Selo in their work of collecting documentation about crimes committed against the Croat people during this war.

The public are otherwise aware that the clashes in central Bosnia intensified and turned into war after the massacre of civilians, the burning and plundering of their homes, and the expulsion of Croats from the village of (Cajdraz) near Zenica and the disarmament of the Zenica brigade of the HVO [Croatian Defense Council], whose members were imprisoned in improvised camps at the Zenica penal center and music school.

One of the most serious crimes was committed on 22 December 1993 on the orders of (?Djajme Merdan), deputy commander of the 3d Corps of the Bosnia-Herzegovina Army, in the area of Bukinje Kuce and Krizancevo Selo, when, according to incomplete information, over 100 Croat inhabitants of these villages were murdered.

On 20 April 1995, the Croat republic of Herceg-Bosna War Crimes' Commission presented to the International Court some of the documentation on the crimes committed against Croats in the Konjic area together with a list of suspected people, including those who carried out the crimes and those who ordered them.

Karadzic: Croat Control of Slavonia Not Accepted

LD1005203395 Belgrade SRNA in Serbo-Croatian 1910 GMT 10 May 95

[Received by fax]

[FBIS Translated Text] Kozarska Dubica, 10 May (SRNA)—Bosnian Serb President Radovan Karadzic has stated after a mourning service in Mostanica monastery near Kozarska Dubica that the service was a sad tribute to Serbs killed in the genocide committed by the independent state of Croatia 50 years ago and a few days ago.

"The entry of the Croats by deceit into Western Slavonia shows that the Croatian Army and police do not know how to act toward the Serbs other than to commit genocide," Karadzic said, expressing the fear that the figure of 3,000 dead Serbs is not final and could rise by several thousand.

President Karadzic believes the brutal aggression by the Croats on Western Slavonia 10 days ago and this morning's attack on Tenja in eastern Slavonia is a warning to Serbs that the conflict with Croatia cannot be resolved by peaceful means.

"Sadly the international community justified the Croatian genocide against the Serb people. The Serbs will not accept that Western Slavonia belongs to the Croats, because this was achieved by force."

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When a journalist said that 12,000 refugees want to go to the Federal Republic of Yugoslavia [FRY] to seek to establish its responsibility because according to the Vance plan it had an obligation to protect them, President Karadzic said:

"The FRY is responsible and it had an obligation to help to prevent the genocide. We believe that the departure of these people to the FRY would be a mistake because they will be homeless there, while we are allowing them to become masters in their own home immediately because we are giving them houses and land."

Karadzic said that members of the Srpska republic army [VRS], despite difficulties with fuel supplies, would have carried out a rapid manoeuvre and come to the help of the people in Western Slavonia, if only the fighters of the Krajina Serb army's [SVK] 18th Corps had managed to resist as long as the fighters and people in Pakrac have been resisting.

"We have been postponing the unification in order not to give Croatia a pretext to start a war against Krajina," said Karadzic, adding that "nothing any longer stands in the way" of our unification.

Calling on the assembly of the republic of Serb Krajina to adopt a decision on unification at its next session, Karadzic said that this idea was supported by all deputies in the Srpska republic's parliament.

"Muslims and Croats are launching attacks on almost the entire front line, but without success. Their spring offensive is broken and they lost a large number of soldiers," said the president, commenting on the situation on the fronts in former Bosnia-Herzegovina.

Recalling that a few days ago NATO nearly became involved in the war, Karadzic said that the Serbs would launch a counteroffensive if the Muslim offensive continued and warned:

"If a Greater Croatia were to be created in former Bosnia-Herzegovina there would be no place for Serbia on the world map. One cannot defend Serbia from Obrenovac, but from Obrovac [Serb Krajina], which is something both the people and leadership of the Federal Republic of Yugoslavia should understand."

SRS Call To Expel Non-Serbs From Banja Luka

AU1005140095 Belgrade NASA BORBA in Serbo-Croatian 10 May 95 p 4

[Report by BETA: "Call for Expulsion of Muslims, Croats From Srpska Republic"]

[FBIS Translated Text] Banja Luka—The Serbian Radical Party [SRS] in Banja Luka yesterday issued a proclamation, which has been publicly distributed and which is addressed to "the entire Serb nation and the refugees from Western Slavonia."

The proclamation says that another massacre has been committed against the Serb people in Western Slavonia, adding that "mother Serbia has remained completely passive in the face of her obligations from the Vance plan."

Claiming that the events in Western Slavonia were the result of an agreement "between Dedinje [in Belgrade] and Zagreb," the proclamation calls on the Serb people to be "dignified, daring, and courageous" and to expel the Croats and Muslims who live in the Serb towns in the Srpska republic from their homes.

The SRS is appealing that these expulsions be carried out in "a much more humane way" than was the case when the Croats expelled the Serbs. "Allow them to leave their homes, and cross the bridge at Gradiska alive, now and without delay," says the proclamation of the SRS in Banja Luka.

Buha Assesses Russian, Greek, FRY Support

AU0805161595 Banja Luka GLAS SRPSKI in Serbo-Croatian 22-24 Apr 95 pp 2-3

[Interview with Aleksa Buha, Srpska republic foreign minister, by Andjelko Anusic; place and date not given: "The Contact Group's Last Supper"]

[FBIS Translated Text] There is no need to discuss at great length the importance of diplomacy for a state such as this. Especially for one that is at war, fighting for its freedom and its place in the sun, which is precisely situation in the Srpska republic [RS]. The peace negotiations on the former Bosnia-Herzegovina, which have been going on for three years and have yielded virtually no results (the negotiations have lately been mediated by the so-called Contact Group), the strength or weakness of Serbian diplomacy, all these are crucial issues that we discussed with Aleksa Buha, foreign minister of the RS.

[Anusic] The Contact Group for the former Bosnia-Herzegovina is behaving like a witch doctor. It seems to be doing everything in its power to accomplish nothing, except of course anything to the advantage of the Muslims and the disadvantage of the Serbs. Mr. Buha, is this a debacle for the Contact Group, is it incompetence, or perhaps even sabotage?

[Buha] This group has been a problem right from the start. The problem was its position vis a vis the International Conference on the Former Yugoslavia [ICFY]. We still have not established whether it is an ICFY body or whether the ICFY, after pushing the

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cochairmen out of the way, has given the Contact Group the final say. Meanwhile the cochairmen, still merry and in good health, appeared as mediators but never cared to divulge the nature of their relationship with the Contact Group. The Contact Group has in a way continued what Owen and Stoltenberg started, regardless of the fact that their plan from September 1993 was rejected by the Muslims. In what sense did the Contact Group continue the work of the aforementioned duo? In the sense that the Muslims' rejection of the plan was followed by the Franco-German initiative which increased the territorial percentage from 30 to 33.3 percent, and when this proposal was also rejected, the Contact Group appeared and assumed some of the elements of the heretofore so-called peace process.

[Anusic] Which elements are those?

[Buha] For example, it assumed the territorial percentages, after which it also inherited the results of the Washington Agreement. In fact, it recognized the concept of the Bosniak-Croat Federation which, black on white, partitions Bosnia-Herzegovina, which, from the standpoint of international relations, had been an internationally recognized country up until that moment, and definitively divided it into two parts. It is clear that the former Bosnia-Herzegovina has always been a pseudostate for us.

Then it was time to implement other tasks; on the one hand, demilitarization had to be carried out, and on the other, the RS had to be given the same rights as the Muslims and Croats. Therefore, it was time to say that the Serbs, as a constituent and sovereign people, had the right to self-determination. Had the Contact Group done this, things would have moved in a positive direction, at least I think so, and we would have achieved a solution that, I am convinced, would have satisfied all three sides.

The Contact Group, therefore, assumed the results of the Washington Agreement without considering the consequences this would have on Serbian people in the RS. It started out with the percentages, which are well known and inviolable. It could justify this with the decision of the five foreign ministers of the Contact Group members. However, the Contact Group (I do not know if it had a mandate to do so) did something else which, as far as the documents are concerned, it was not mandated to do. [sentence as published] It not only took these percentages as its starting point, it also included them in the maps, the documents.

[Anusic] How did this affect the RS?

[Buha] After that, we were faced with a fait accompli. We could react to the so-called Contact Group plan only by accepting or rejecting it. True, they were pushing us to participate in bilateral negotiations, but with little or practically no chance of changing anything on the maps, especially as they were drawn according to the wishes and interests of the Muslims. The Contact Group made no secret of that fact. On the contrary. Redman bragged about it, and, of course, it was absolutely illusory to expect that the Muslims would give in, that is, that they would agree to something other than what the Contact Group had intended for them.

The Contact Group—An End in Itself

[Anusic] A whole year has gone by and it has been replete with such tricks. Has the Contact Group accomplished anything that might ultimately save its face and is it not time for its "last supper"?

[Buha] The Contact Group has not introduced any changes in the past year. I have the impression that it was preoccupied with itself. It has become an end in itself and is just marking time. It appears that this little company was preoccupied with maintaining a semblance of unity, that is, agreement. According to earlier experience with the peace process, there must have been several plans. We know that when the same individuals come up with a political agenda, (scheme), they have difficulty abandoning it.

Mr. Buha, how do you envisage the future development of events on the political level regarding peace in the former Bosnia-Herzegovina? What moves can the international community be expected to make? What should it do?

[Buha] The international community should at least implement what it has written into its own documents, on the basis of which it acts through the Contact Group. I have two documents in mind. First of all, the principles of the London Conference, according to which no solution can be forcefully imposed on any of the warring sides. These principles further state that the right of a people to self-determination will be observed in the peace process, which unfortunately, as far as the Serbs are concerned, has not happened yet. The (Brussels) statement of the five foreign ministers of the Contact Group member states, released on 2 December 1994, states that all parties to the conflict will be treated equally. The Contact Group has not honored this in the case of the RS, because if it had, we would already be as independent a state as the Bosniak-Muslim Federation. Anyone who examines the initial Washington Agreements will see that the Federation is based on the sovereign right of Croats and Muslims to form their own state, which in principle we have nothing against. In fact, we support it. On the other hand, when one takes a closer look at how this federation operates, it becomes clear that it functions as an independent state.

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Russian Diplomacy Has Faltered

[Anusic] Mr. Buha, would you agree with assessments that the Russian factor in the search for a solution to the Bosnia-Herzegovina crisis has been overestimated, that is, in searching for a solution to the Serbian question in the former Yugoslavia, even more so if we know how Russia, or more precisely, its Foreign Minister Kozyrev, has behaved heretofore? If we add to this the fact that the ministry headed by the aforementioned gentleman has said that it was looking for "a suitable person from the RS leadership with whom to negotiate," Russia's role in connection with the signing of the so-called peace plan becomes clearer.

[Buha] As a participant in the negotiations, I was able to see for myself what it means to have a real ally. The Muslims and Croats almost did not have to move a finger because their allies, the Americans and Germans, did the job for them. We had to rely on our own resources and on Serbia's and the Federal Republic of Yugoslavia's [FRY] help in carving out some sort of position for ourselves. Of course, we prejudged things because we thought that Russia's support would be crucial, or at least, more pronounced. However, this entire affair, this entire misfortune, both collective and individual, happened at a time when Russia, that is, the former Soviet Union, was disintegrating; moreover it happened when Russia was in the midst of a great crisis. However, I believe that Russian diplomacy is in the midst of a general crisis. Russian policy could have and should have been different in this entire situation, not only regarding the fate of the Serbian people, but also the fate of the Russian people. Do not forget that some 25 million Russians have remained outside the Russian Federation. However, nothing happened. On the contrary, Russian representatives, I have in mind primarily the man in the Contact Group, did their best not to help us and support our interests, but rather to put as much pressure as possible on us. That is how they understood (and still understand) their role in the Contact Group.

It is embarrassing to admit this, but the other representatives in the Contact Group have told us confidentially that they were surprised by Mr. (Nichiforovich)'s behavior. They expected the Russian to support our interests in much the same way the Germans protected Croatian interests, and the Americans, Muslim interests. Minister Kozyrev tried in every situation to prove that the Contact Group plan contains something that is not there. In my opinion, this is problematic, or to use a stronger word, inadmissible. Russia's general attitude culminated in a statement made by a foreign ministry representative who said that someone should be found in the RS who would be willing to sign this so-called Contact Group peace plan. However, in a statement to SRNA, I said on behalf of the RS government that such "progressive" forces, that is, such "chosen" individuals could not be found in the RS. It is impossible to find them simply because the acceptance or rejection of the so-called plan is not a matter that can be considered by a handful of officials. It is a matter for the assembly, that is, a matter for the entire nation to consider.

[Anusic] What else can be held against Russian foreign policy?

[Buha] Mr. Kozyrev was in Sarajevo just a couple of days before the sanctions were imposed on the Federal Republic of Yugoslavia. Prior to this, he had met with us in Lisbon, therefore, you cannot say that he was uninformed. In Lisbon, we informed him in great detail about what is what and who is who in the former Bosnia-Herzegovina. In spite of this, following his visit to Sarajevo and our meeting in Lisbon, he nevertheless told the Russian UN envoy to vote in favor of sanctions for the FRY.

At the time, Russia could have prevented the sanctions, because it was one of the five countries, the UN Security Council members, and could veto the embargo against Yugoslavia. This did not happen. Kozyrev later tried to play some other cards. He tried to get official Belgrade to consent to these solutions or pseudosolutions being offered for the former Bosnia-Herzegovina, but I think that he is misled. Despite the fact that we are a single people, and despite the fact that we have to take into consideration the interests of the Serbian nation as a whole, it is nevertheless the people here who are affected the most, who are bleeding in these regions, and they should be given the final say in decisions on the definitive solution.

The RS leadership and the Serbian people in the republic cannot be circumvented. This also applies to official Belgrade, and of course, Kozyrev, because the people of the RS must say "yes" or "no."

[Anusic] What formula does the RS recommend for solving the Bosnia-Herzegovina conflict?

[Buha] Our formula is extremely simple: Recognition of the RS, which would on the one hand stop the war and, on the other hand, direct the peace process toward solutions that would be fair to all three peoples.

[Anusic] What would this achieve?

[Buha] First, it would make the Muslims finally face the fact that there can be no Islamic Bosnia, that all three peoples have the same state rights. After that, they would have to face certain other facts that are equally serious and cannot be disregarded or dismissed.

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[Anusic] It seems as though Greece is the only true friend that the Serbs and the RS have in the world, and it too, is alone. How would you assess the international power of Greek diplomacy, and what is your cooperation with colleagues in Athens like?

[Buha] During this period I have been in contact with a great number of Greeks, from Presidents Mitsotakis and Papandreou, to the so-called ordinary people. In this whole affair, they seem to be greater Serbs than the Serbs themselves, so to speak, although it is the Serbs' skin that is at stake. However, the situation is that Greece does not carry a lot of weight either within the EU or internationally, that is, it carries no weight in this particular case. Russia, would, of course, carry a lot of weight. However, when I address this issue, you must differentiate between what the Foreign Ministry is doing, and President Boris Yeltsin's position. President Yeltsin on several occasions urged the equal treatment of all sides in the conflict, and he moreover urged the lifting of sanctions. None of this came about which, I believe, means that the Russian Foreign Ministry did not put enough energy into Yeltsin's proposals.

Secret Diplomacy

[Anusic] Mr. Minister, do you think that the RS's diplomacy should perhaps be more energetic regarding the ruthless international environment? Do prerequisites for this exist?

[Buha] You know that our republic is not recognized, and diplomacy is an element that goes hand in hand with recognition. Moreover, in the past 10 months, the so-called international community, that is the UN Security Council, has banned any contact with the RS leadership, including myself as foreign minister.

Therefore, we have been physically prevented from undertaking diplomatic action and being more energetic. However, regardless of the fact that Pale is the "main village" of the RS—that is what I temporarily call it, I hope that our capital will be Belgrade—regardless of the fact, Pale is a small place, several envoys and negotiators make it to Pale, mostly clandestinely.

It is precisely this clandestine diplomacy that sometimes takes care of a significant share of the work—I do not want to say the lion's share—which means that we in Pale are not just sitting with our hands in our laps.

[Anusic] How would you assess Serbia's, that is the FRY's diplomacy?

[Buha] Diplomacy throughout the world, regardless of its definition, is an expression of comprehensive state policy. I can now say that Yugoslavia failed to do this or that, and that its diplomacy simply repeated the mistakes. Speaking as a professional, I do not know how FRY diplomacy has changed in comparison to what came before the current Yugoslavia. I do not know how much of the old mentality still lingers in today's diplomacy. Moreover, you know that the current Yugoslavia is an unrecognized country.

In addition to that they have sanctions. When you add all this up, it becomes clear that the FRY's diplomacy is in a difficult position.

[Box, p 2]

Recognition Is the First Step

Recognition constitutes the greater part of the work. After that, we would go for a territorial division with the Muslims and Croats, which would take into account realistic criteria—the criterion of ownership, the actual situation on the ground, geographical compactness, and the communication and functioning of certain state territories. It would be possible to work all those out, but one step must precede it—our state must be recognized.

[Box, p 2]

FRY Diplomacy

In different circumstances, FRY diplomacy could accomplish a lot more, even for us. Yugoslav diplomacy's primary concern and stance should not be constant reiteration of the fact that Yugoslavia has accepted all the plans heretofore, the so-called peace plans, while the RS has been rejecting the so-called peace plan. Since we in the RS have never actually left Yugoslavia, what is today the FRY, there is all the more reason for Yugoslav diplomacy to work harder on the formal aspect of uniting the entire Serbian nation.

[Box, p 3]

Disband the Group

I believe that it is high time for the Contact Group to be disbanded; it should leave the political scene, that is, if it must stay as a mediator, someone should come up with some new elements. Someone should change the premises on which the Contact Group is based, after which it could take care of the technical aspect of the job, so to speak.

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Commentary Questions Chirac's Policy Toward B-H

AU1005161995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 10 May 95

[Commentary by the Bosnia-Herzegovina Army Press Center]

[FBIS Translated Text] At a time when the world is celebrating the 50th anniversary of so-called victory over fascism, fascist Radovan Karadzic has sent a congratulatory note to the newly elected French President, Jacques Chirac. In order for Radovan to be sure that the new president of the 5th republic knows which president and which state sent the congratulations, Raso [nickname for Radovan] also informed him that in honor of his election he would release from prison French humanitarian workers, members of the Pharmaciens Sans Frontieres organization.

It would be truly interesting to learn how Chirac reacted when the head of his office brought Raso's message to his attention, if he did, that is. Did Chirac think of his fellow citizens, also humanitarian volunteers, whom Raso last year imprisoned and then released only after collecting a huge foreign currency ransom. Did the new French president think of the French soldier who was recently killed by Karadzic's sniper precisely at the moment this (?soldat de la paix), soldier of peace, was constructing a barrier that would protect Sarajevo citizens, and many French people are Sarajevo citizens today, from UN Protection Force members to Ambassador Jacolin, from those chetnik snipers.

Did Jacques Chirac, a man who some 20 years ago was nicknamed Bulldozer by French President Georges Pompidou, recall the vivid television image of the chetniks killing the valiant and tragic French soldier in the Bulldozer cockpit? Will the Bulldozer now, in the role of the number one man in France, have the strength to cleanse France of all the suspicion, sullied reputation, and shame inflicted on it by Karadzic's fascism? Will the new president feel that he too—like his predecessor Mitterrand—has to come to Sarajevo, and will he come as a man who fights, not supports, fascism like his predecessor? Will he come to make official the fact that Mitterrand betrayed Bosnia and degraded France when he came to Sarajevo, since his surprise visit actually betrayed the agreement just reached by European Union members in Lisbon, on the basis of which a military intervention was to have prevented further fascist crimes by Karadzic's chetniks? Does the Bulldozer have the strength to steer France back onto the path of its famous,proud, and noble declaration on human and civil rights that dates back to 1789? Will he lead France back to the camp of those countries who are truly trying to stop the chetniks from killing innocent people in Bosnian regions and cities that are under the protection of international—including French—troops?

If it turns out that he is incapable of stopping the chetnik aggression, will he at least try to see that the innocent party is given the right to defend itself, that the shameful embargo on the legitimate authorities and Army of the Republic of Bosnia-Herzegovina is lifted? Will the criminal Radovan Karadzic's congratulatory note remind him of all this? How will the new president respond to this, in homage to his election and for France's honor?

French Peacekeeper Injured by Sniper in Sarajevo

LD1105102495 Paris LCI Television in French 1000 GMT 11 May 95

[FBIS Translated Text] We have just learned that a French UN soldier was very seriously wounded in the head this morning by a sniper in Sarajevo. The soldier was hit at about 1050 today by a shot aimed directly at him, said an UNPROFOR [UN Protection Force] spokesman. He was evacuated to the medical and surgical center at UNPROFOR headquarters. There are no more details for the moment.

Further on Artillery Attacks in Samac Area

LD1005134295 Belgrade SRNA in Serbo-Croatian 1310 GMT 10 May 95

[Received via fax]

[FBIS Translated Excerpt] Samac, 10 May (SRNA)—The town of Samac has been the target of constant Croatian and Muslim artillery attacks since this morning, causing the interruption of traffic along the Posavina corridor.

All Serb defense lines in this sector of the Posavina front are under attack and hundreds of artillery shells have been fired on the Serb villages of Obudovac, Loncari, Batkusa, Brvnik, and Tisina.

The entire road linking western Serb lands with Serbia and Montenegro, particularly the section between Samac and Brcko, has been pounded by artillery shells fired from the territory of the Republic of Croatia. [passage omitted]

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3d Corps: Pale Serbs Grouping in Zavidovici

AU1105093095 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0900 GMT 11 May 95

[Report by the Information Service of the Bosnia-Herzegovina Army 3d Corps]

[FBIS Translated Text] Following failed attacks in the entire theater of operations of the 3d Corps, the aggressor has been gathering strength and preparing for new assaults.

The enemy reconnaissance groups have been very active on the Zavidovici front. Grouping of forces and movements of motorized vehicles have also been registered. The enemy has also been trying to conceal similar activities on the Tesanj front with sporadic artillery and small arms fire. On the Serici-Teslic front our fighters spotted in time one terrorist group, which was trying to infiltrate our lines, and swiftly forced it back to its initial positions.

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Akashi, Sarinic Hold Conference Following Talks

LD1005150495 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 10 May 95

[Report by Vera Tomasek on news conference by Hrvoje Sarinic, chairman of the commission for liaison with the UN Confidence Restoration Operation in Croatia and head of the president's office, and Yasushi Akashi, the UN secretary general's special envoy for the former Yugoslavia, in Zagreb on 10 May; passages in quotation marks are recorded]

[FBIS Translated Text] [Tomasek] Hrvoje Sarinic informed journalists about the topics of their talks:

[Sarinic] "We discussed many issues. We spoke about the current situation in Western Slavonia. We also spoke about the tensions that exist in three sectors. Naturally, we discussed the status of UNCRO [UN Confidence Restoration Operation in Croatia] in Western Slavonia. As for the results, I believe we are all satisfied. This was a meeting in which facts and realistic and pragmatic stances abounded. We agreed with Mr. Akashi to have as many meetings of this kind as possible in this phase until the major problems have been resolved."

[Tomasek] There were many questions put by journalists. Here is what the human rights situation in Western Slavonia is like, in Akashi's view:

[Akashi, in English with superimposed Serbo-Croatian translation] "On human rights matters, which have the highest priority for us, Mr. Sarinic convinced me that the Croatian Government would behave in accordance with the highest standards. We received a list of human rights violations from the Knin Serb leadership in Belgrade yesterday. We are now checking them out and comparing the details. We are not going to come to any conclusions without having checked out the details."

[Sarinic] "I would like to avail myself of this opportunity just to say that when we spoke about the observance of human rights in Western Slavonia with regard to Serb persons, I took the liberty of reminding Mr. Akashi of how the other side used to conduct itself and that 221,000 Croats lived in this area before the war. Currently there are only 11,000 Croats there. If you compare this with the way that Croatian authorities are conducting themselves, you can see the difference, I daresay, both in the traditional and cultural principles, not to mention moral and ethical principles."

[Tomasek] Yasushi Akashi told journalists that General Janvier is going to Knin tomorrow. We hope, he said, that military commanders of both sides will meet soon.

[Sarinic] "I would just like to add here that we have compiled a list of places where the Serbs entered the so-called former separation zone, but I must say that we still adhere to the stance that commanders will have to meet to discuss concrete facts so that the situation may get back to normal.

"However, I cannot help saying that Yugoslavia and the Yugoslav Army, which are now making some peaceful efforts at least in the propaganda sphere, are at the same time sending heavy weapons and tanks; they are intending to build a pontoon bridge on the Danube. There are more than 2,000 of their soldiers who, under the pretext of being volunteers, are entering that sector. This, naturally, cannot bring the situation back to normal. What we have been saying all along is that the key to the problem is in Belgrade—it can be seen in this sector, and further afield, that this is a complete reality."

UN Protests Army Using Peacekeepers as 'Shields'

AU1105103095 Paris AFP in English 0955 GMT 11 May 95

[Report by Michael Adler]

[FBIS Transcribed Text] Zagreb, May 11 (AFP)—UN officials Thursday [11 May] accused the Croatian Army of using besieged peacekeepers in the south as protective shields against separatist Serb gunners but said they feared all-out war if the United Nations pulled out of the area.

A UN spokesman said the troops considered the peacekeepers to be in a "hostage-like situation" although the army allowed the United Nations to rotate the troops on Wednesday. "We managed yesterday (Wednesday) after some pressure to replace Czech peacekeepers" at the observation post Tango 36, the UN sector south spokesman Alun Roberts told AFP by telephone from the separatist Serb stronghold of Knin, southern Croatia.

Croatian troops moved into the zone last week after a 48-hour offensive that led to the capture of a rebel Serb enclave in eastern Croatia. Roberts said about 22 Czech UN peacekeepers were surrounded by Croatian troops at two posts—Tango 36 and Tango 23—in the so-called UN-monitored separation zone between Croatian and rebel Serb troops. He said Croatians had laid mines around their bunkers and that fighting there was heavy, which forced the UN peacekeepers to be effectively confined to their bunkers.

"We still view that in some key locations Czech peacekeepers are being held in a hostage-type situation," Roberts said.

"Senior commanders here, including deputy sector commander Bill Morton, consider the peacekeepers as acting

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as a form of protective shield by Croatian military occupying the observation post in the UN-controlled zone of separation," Roberts said. He said the UN soldiers hindered Serb forces from firing "indiscriminately" at the Croatian positions.

"They are clearly intended as a means of deterrent by the Croatian military using the posts as sniper positions," Roberts said. He said that Czech peacekeepers were besieged by Croatian troops at seven other sites and that UN sector south had "protested most strongly the use by Croatian military of UN positions for conducting fire on Serb positions." Roberts said that heavy escalation would almost certainly occur if the UN troops withdrew, although the Croatians did want the UN forces out of the zone.

Meanwhile, fighting eased early Thursday on another key front, the Brcko corridor in northern Bosnia, where Bosnian Serb forces on Wednesday unleashed a day-long artillery barrage against Bosnian Croat troops.

Social Democrats Urge Unity Among Serb Leaders

AU1005143595 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 9 May 95

[Report by Ljiljana Letica-Bobinac]

[FBIS Translated Text] The RSK [republic of Serbian Krajina] Social Democratic Party—at an extraordinary session of the Central Committee in Kostajnica on 7 May in reaction to recent developments in the RSK following the Croatian aggression against RSK and the occupation of Western Slavonia—has issued a statement.

The statement says, among other things, that we are bitter over the latest ustasha aggression against Western Slavonia carried out in a manner that takes us 50 years back in history and is reminiscent of the dark ages of the fascist rule of the Independent State of Croatia in this area.

Serious oversights in the organization of the Western Slavonia defense call for urgent determination of responsibility of the highest bodies of civilian and military authorities of the RSK. The RSK Social Democrats contend that previous instances of lack of unity and coordination between the highest bodies of civilian and military authorities of Serb lands in defense preparations and organization lead to the humiliating and unprecedented loss of Serb land and the suffering of the Serb nation. Consequently, they issued a demand that an extraordinary session of the RSK national assembly be urgently convened and said that the leaders were to blame for not having convened it already.

Furthermore, in the interest of solving the political status of the Serbs west of the Drina and in order to find a global solution to the Serb national question, we must discuss and decide about our ultimate goal. We must immediately determine the obligations of Serb lands in the protection of the Serbs and their ethnic areas. We urge political and military leaders of the Serb nation to put an end to their disunity and fulfill their moral and contractual obligations. We appeal to the Serb Orthodox Church to use its authority and wisdom to facilitate the spiritual union of the Serb nation. At the time of great suffering and anguish of the Western Slavonia Serbs, we express our deepest sympathy and belief in our growing determination to secure the final victory, ends the statement by the Central Committee of the RSK Social Democratic Party signed by its President Ranko Bakic.

RSK Political Adviser Criticizes Serb Officials

LD1005173795 Belgrade SRNA in Serbo-Croatian 1505 GMT 10 May 95

[FBIS Translated Text] Banja Luka, 10 May (SRNA)—Slobodan Jarcevic, political adviser to the Republic of Serb Krajina [RSK] president, warned today that "very serious threats are coming from Croatia regarding the continuation of reintegrating the UN-protected areas in the legal and constitutional system of this fascist creation by using the Western Slavonia model."

In a statement for SRNA, Jarcevic recalled that the entire RSK territory is under UN protection; in the light of this and in accordance with international law, Croatia's action at the beginning of May can be considered an act of the most serious aggression against Western Slavonia.

"The Croatian side is denying the existence of protected areas under the Vance plan, even though everyone should know that Resolution 981 was adopted with the purpose of restoring confidence between the warring sides," Jarcevic said, stressing that the resolution does not mention even once reintegration of these territories in Croatia.

Commenting on the latest gory events that took place in Western Slavonia, Jarcevic criticized passive and impermissable behavior of the military and civilian authorities in the RSK, the Srpska republic, and in Serbia.

"If we continue to take Croatia's threats lightly, we might see Vukovar, Knin, Banja Luka, and other places in the RSK and the Srpska republic occupied by the ustashas very soon," Jarcevic said.

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EU Monitors Deny Human Rights Violations

AU1005141995 Zagreb VECERNJI LIST in Serbo-Croatian 9 May 95 p 7

[Interview with Albert Turot, chief of the EU Monitoring Mission, by R. Valdec; place and date not given: "We Have Not Noticed Any Violation of Human Rights"]

[FBIS Translated Text] After a successful action by the Croatian Police and Army, in which Western Slavonia was liberated, certain world media fell for Serbian propaganda and published false information about unacceptable behavior by the Croatian authorities toward the civilian population and prisoners of war. Citing the famous report of the EU monitors, even the Security Council condemned Croatia. This information was denied later, but a real apology was missing. That was the reason for our interview with French Ambassador Albert Turot, chief of the EU Monitoring Mission, to whose report the United Nations referred.

Ambassador Turot was appointed to his present position on 1 January 1995. Prior to that, he had been the French ambassador to Helsinki. He started his diplomatic career in Algiers in 1962, and has spent six years in New York as a member of the permanent French diplomatic mission to the United Nations.

The Tension in Eastern Slavonia Slackening Off

[Valdec] Can you tell us what the situation is like in the former "Sector East" at the moment?

[Turot] In the past few days we have been very busy in "Sector East," where the tension increased notably after the recent events. We are trying to calm the situation and establish dialogue between the two sides because, when the two armies face each other and are ready to fight, tensions grow, and we want to give a clear message to both sides that neither side has any intention of attacking. There have been no attempts so far, and our activity is only preventive.

[Valdec] Foreign television networks talk about the concentration of Serbian tanks in eastern Slavonia.

[Turot] One must say that people mix things up. It is true that, as early as a couple of weeks ago, we notified that the tanks crossed from Vojvodina to eastern Slavonia. It was not clear whether those were Yugoslav Army tanks or the tanks that were moved from one sector to another through the territory of the FRY [Federal Republic of Yugoslavia]. It is a fact that the tanks crossed over the bridges, but we do not know to whom they belonged and where precisely they came from. However, in the past few days, the amassing of tanks has been noticed, but on the Serbian side in Vojvodina, on the international border. I think that confusion has been created by journalists, and that is not in the interests of slackening the tension.

The tension has been slackening off lately, and I and my assistants are working on it to keep it going. We have held numerous talks with both the Knin and Croatian authorities, and today I feel more relaxed than in the previous days. The most important thing on which we are working now is that the troops withdraw from the demarcation line.

Difficulties in Communication

[Valdec] You are, naturally, informed about the situation in Western Slavonia.

[Turot] Of course. However, I must point out, in order to avoid any misinterpretation, that our monitors were present only in Pakrac. We have no reliable information about what happened in the first days in Okucani and round the bridge on the Sava River, because our people were not there when the fighting was going on. There are two different things that get mixed up here. Events that happened round Pakrac and those that happened round the bridge on the Sava River. These are two different things.

[Valdec] In its report, the United Nations refers to your sources.

[Turot] Our report refers only to the events in Pakrac that took place after the battles on Thursday and to the events that took place on Friday. In our report, we could not have said anything about what was happening in the first two days, because we were not present.

[Valdec] Does that mean that there are serious difficulties in the communication between UNCRO [UN Confidence Restoration Operation in Croatia] and the EU mission?

[Turot] Listen, I really do not want to provoke any controversy between us and the United Nations, because that would certainly lead nowhere. When the fighting started, we had difficulties in communication, it was difficult to establish contact. On Thursday evening, and our report says so, some UNCRO members [elementi] reinforced our teams.

Prisoners Have Not Been Mistreated

[Valdec] However, has your mission noticed any attempts at the violation of human rights and the rights of prisoners of war?

[Turot] No, and that is what we said and wrote in our reports. We also said that the treatment of prisoners of war was acceptable from the viewpoint of

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international military law. We were also present during the transportation of war prisoners until Friday morning. The prisoners of war have been treated as prisoners of war. That, naturally, is not particularly amusing, but they have not been mistreated. They were frightened and concerned about their future, which is normal, and that is why our personnel were riding on the buses to ease the tension and to show the Croatian police that we were in control of the situation. In that manner, we prevented any possible individual excesses.

[Valdec] Did the Croatian authorities thwart or obstruct your work? Were you able to go wherever you wanted to go?

[Turot] At the beginning, during the fighting, for security reasons, we could not be present everywhere, which is normal, but as soon as the fighting was over, our people were able to go wherever they wanted to go. There are still some areas, in the woods, where, for security reasons, our people do not go, but in the area of Pakrac, we had absolute freedom of movement and observation.

[Valdec] The information regarding the events round the bridge in Stara Gradiska are also contradictory.

[Turot] We do not know for sure what exactly happened round the bridge, but according to what I have heard, it must have been a crossfire in the middle of which civilians found themselves. When there is fighting between two sides, and when there are civilians in that area, it is highly probable that there will be civilian casualties as well. I think that, in this event, this was precisely what happened.

Dialogue Should Be Established

[Valdec] Is it possible to make a comparison between the behavior after the fall of Vukovar or Petrinja, for example, and the attitudes of the Croatian authorities toward the civilian population and prisoners now, after the liberation of Western Slavonia?

[Turot] At the time of the events you mention, I was not here, but, based upon the reports I have read, I know that things there did not develop in a good way. But the circumstances were different. It was still the first year of the conflict. The feelings are not the same. However, according to what I know, I can say that things in Vukovar developed in a completely different way to say the least.

[Valdec] What is the situation like among the Serb civilians?

[Turot] Naturally, people are still frightened, particularly by the presence of the army, and it would be good if only the police remained there. People feel isolated in Okucani, and the process of returning displaced persons and refugees to the region should be started as soon as possible. It will be a hard job, because psychological barriers should be crossed, and I think that the media, too, should play their very important role, to tell people that there is really nothing that could harm them.

[Valdec] What is the situation like in Sector South? There has been different information about the fighting that took place there.

[Turot] According to our information, both sides have been crossing the demarcation line. UNCRO has been trying to establish dialogue between the two sides, but, so far, it has been a very difficult task.

[Box, p 7]

Attack on Zagreb Is Not Surprising

[Valdec] Were you surprised by the attacks on Zagreb?

[Turot] No, we were not surprised, because the Knin authorities announced earlier that, in the event of an offensive against the territories under their control, they would attack towns.

[Valdec] I am asking you this because there are some indications that UNCRO moved their staff and equipment into shelters immediately before the attack, which has recently been confirmed by our prime minister in an interview.

[Turot] I know nothing about it, but I can tell you that we were not warned. I passed by one of the places that suffered from the attack just a few minutes after the explosion, because I was going to a meeting, and if my driver had driven a bit faster, then I could have also been a casualty.

[Box, p 7]

Step Toward Slaking Tension Off

[Valdec] Do you know what happened to Veljko Dzakula?

[Turot] I know that he has been released, and I am sure this step by Croatian authorities will reduce tensions. I personally know Mr. Dzakula and I am convinced he is committed to peace. I hope that he will stay with his people in Western Slavonia and that nothing will happen to him in the future, because such a person certainly bothers extremists on both sides. He could play a crucial role in the future, and I think that it is in everyone's interests that nothing happens to him.

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Kotil Seeks Army Withdrawal From Separation Line

LD1005201595 Belgrade TANJUG in English 1948 GMT 10 May 95

["Pool" item]

[FBIS Transcribed Text] Belgrade, May 10 (TANJUG)—Sector South peacekeeping commander Czech Gen. Rostislav Kotil Wednesday said Croatian forces should withdraw from the line of separation with Serb Krajina forces in order to ease tensions, the Knin-based U.N. Force Command Press Service said.

Gen. Kotil sent the appeal to the Croatian force command for the area of Gospic because he was concerned for the safety of the Czech peacekeepers deployed in that region, the Serb Krajina news agency ISKRA said.

Gen. Kotil informed the U.N. Peace Force General Command in Zagreb that the situation in the area was critical and that, unless it was resolved quickly, the Czech peacekeepers would have to withdraw. This would in turn almost definitely lead to major fighting breaking out along the lines of separation, he said.

After it was confirmed that Croatian soldiers had on Tuesday placed mines around the bunkers where they are holding the Czech troops blocked, the Sector South Command said it was a 'hostage-like situation.'

The objective of the Croatian troops is to prevent nearby Serb Krajina forces from firing at the U.N. observation post which has been seized by the Croatian Army. Croatian snipers have been firing at Serb Krajina positions from the post tower for the past several days.

The Sector South Command is especially concerned about the fact that Croatian troops are using U.N. observation posts to fire at Serbs, while holding Czech troops as a shield, the latest command statement said.

The situation is similar with Czech troops at an observation post near the town of Canak. The Czech peacekeepers there are also being kept surrounded in a bunker, while Croats have placed snipers in the post tower, the report said.

Country's Foreign Investment in 1994

95BA0218B Split SLOBODNA DALMACIJA in Serbo-Croatian 29 Mar 95 p 24

[Article by Z. A. P.: "400 Million German Marks Have Come Into Croatia!"]

[FBIS Translated Text] Most of the capital came from Germany, Austria, and the United States, three-fourths in goods and only one-fourth in money. The investors were usually our emigrants or foreigners who are personally quite familiar with the situation here.

Last year, according to data from the Ministry of Economy, foreign investors invested more than 400 million German marks [DM] in Croatia. Most of that amount was invested in 2,443 newly established enterprises, and DM54 million was additional investments in already existing ones.

Most interesting to foreign investors were investments in mixed enterprises, which constitute 60 percent of the total number of new ones; one-third of them decided to found independent enterprises; and only 7 percent of them decided on joint investments with Croatian partners. German, Italian, and Austrian investors participated in founding the largest number of enterprises, while the largest investments came from Germany, Austria, and the United States.

Most of the investments, more than three-fourths, were made in the form of goods, and only one-fourth was in cash. The only exception was enterprises that were jointly founded by partners from several countries, in which cash investments constitute almost 80 percent of total investments.

Although in comparison with other countries in transition DM400 million in foreign investments does not sound imposing, in view of the situation in Croatia the amount certainly should not be underestimated. A more detailed analysis would probably show that foreign investors were usually Croatian emigrants or long-standing partners of Croatian enterprises, i.e., people quite familiar with the situation in Croatia and the Croatian economy. In view of the Croatian government's recent agreement with the Paris Club on the repayment of debts, which will certainly contribute to a better credit rating for Croatia on the list of countries that are safe for foreign investors (where it is currently only in 128th place), this year foreign investments could be even larger, especially if one knows that many international corporations are considering locating their offices for southeast Europe precisely in Croatia.

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No.	Country	Type of Enterprise			Number of Enterprises	Additional Investments	Total	Percent	Structure	
		Mixed	Wholly owned	Joint					Money	Goods
1.	Germany	38,680,213	12,841,681	37,027,623	638	10,782,065	99,331,582	24.24	11,018,212	88,313,376
2.	Austria	30,088,052	21,757,236	3,840,088	220	10,004,594	65,689,970	16.03	29,888,477	35,801,493
3.	United States	22,973,500	1,267,459	5,092,718	96	4,135,536	33,489,293	8.17	9,082,776	24,406,517
4.	Italy	10,276,691	3,754,954	5,426,403	548	9,639,672	29,097,410	7.10	7,957,198	21,540,212
5.	Switzerland	7,225,659	501,751	1,290,731	78	1,161,637	10,179,978	2.48	100,725	10,079,253
6.	Canada	1,437,050	58,621	244,000	34	4,806,750	6,536,421	1.60	273,959	6,282,462
7.	England	3,927,351	6,309	748,873	22	1,672,091	6,354,624	1.55	206,030	6,148,594
8.	Ireland	336,791	610,280	3,519,500	18	—	4,466,571	1.09	17,800	4,448,771
9.	France	1,073,197	328,724	273,328	30	1,050,660	2,733,909	0.67	100,042	2,633,867
10.	Australia	66,210	244,950	1,330,600	17	44,260	1,686,020	0.41	8,810	1,677,210
2 or more countries		1,559,033	9,403,118	—	67	830,894	11,793,045	2.88	9,688,598	2,104,447
Other countries		78,997,432	9,113,043	40,243,697	675	10,080,255	138,314,427	33.78	33,555,113	104,859,314
TOTAL		196,621,259	59,097,736	59,037,041	2443	54,236,414	409,793,250	100.0	101,497,740	308,295,510

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Gligorov Views 'Victory Over Fascism'

AU1005180795 Skopje NOVA MAKEDONIJA in Macedonian 6 May 95 p 2

[Speech by FYROM President Kiro Gligorov at ceremony marking the "50th Anniversary of the Victory Over Fascism" in Skopje on 5 May: "Victory Over Fascism Accomplished Centuries-Long Ideals"]

[FBIS Translated Text] We are gathered here today to celebrate the 50th anniversary of the victory over fascism. It is an occasion that brings joy and pain at the same time. The joy is because of the triumph of freedom-loving mankind over the worst of the evils of the 20th century; the pain for the more than 50 million lives lost.

On such an occasion, we ask ourselves: What were the causes of that worst of all human tragedies in the 20th century? It is a fact that fascism appeared as the result of a specific social, economic, and political environment. The world was faced with an enormous economic crisis in the fourth decade of this century, a crisis the consequences of which strongly affected the social, political, and moral spheres. Most of the world's most developed nations were faced with serious difficulties in their development. Furthermore, the consequences of the first World War and a growing desire for revenge among a number of countries were still present. Such an atmosphere gave rise to ideal conditions for the rise of fascism: that is, for the creation of an authoritarian concept that would "save" humanity from economic poverty and social hopelessness. The creation of this concept excluded democracy, liberalism, and human rights.

Fascism was defined as a concept of a designated nation that had the right to rule other nations. The cult of the nation contained the idea of a pure nation whose leader and followers had a special mission. The chosen leader followed the vision.

This is how a tragic decade in history began. The theory of the *uebermensch* [German for superman] and the pure German race were nothing but a pretense for the beginning of the blood-shedding drama called World War II. This theory was based on criticism of the "rotten plutocracy," Zionism, and imperialism. These were considered to be the basic roots of the economic crisis and world domination, and responsible for man's social misery and hopelessness. On the other hand, "the chosen nation" searched the root causes of all the problems it had with other countries and nations. The big capitalist countries were proclaimed rotten regimes and their civilizations decadent. It became very simple to describe millions of people as second-class citizens and many nations as the evil of mankind, and their destruction was announced with unbearable ease. Such was the case with the Jews and the Romanies.

The Saviors of the World

This was the basis on which the "pure" German race was proclaimed to be the savior and the only nation summoned to rule the world, to establish a new order in which "labor, discipline, and order" would reign.

This monstrous theory and policy could have been carried out only with the power of mass indoctrination of the people, an indoctrination that relied upon the brutal principle that all means are allowed for the accomplishment of this sublime goal. It was supposed to be the excuse for the destruction of whole nations, for anti-Semitism, for gas chambers, for Gestapo concentration camps, and for the most humiliating exploitation of the labor of millions of people and of entire nations. Rosenberg's philosophy was implemented in all the domains of life: in the press, in culture, in human communications. It led to terrifying events. The public burning of works of "decadent literature" in the 20th century, and songs and marches, were the tools for the creation of a mass psychology about a victorious nation. With the establishment of such a psychology, the society couldn't have been organized other than as a military organization, a strictly controlled and inhumane organism.

Fascism was marked with success immediately after its appearance. The causes were absolutely perceptible. This occurred due to the critical situation in Europe and the world, but also due to the incapability of the community of nations to undertake an action against fascism. The catastrophe happened because of the different interests and assessments of the European superpowers regarding the real threat of fascism. In practical terms, fascism was underestimated, and it was not considered a destructive danger to modern civilization—which resulted in the creation of the conditions for its rise, in the creation of a military force before which the European states capitulated one after the other.

However, when the evil became apparent, resistance emerged in all enslaved states and nations. It was fostered by the knowledge that the human race was, for all practical puposes, faced with a lethal danger. Apart from Europe, the war was spread to other continents as well. States and nations started an organized antifascist war based on human dignity; democratic, liberal traditions and goals; and humaneness. It moved heroic masses and fighters against fascism. An anti-Hitler and antifascist coalition was created that gradually united all movements, nations, and countries that were prepared to put up a final resistance and win. The coalition became

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stronger when the United States and Russia joined the war, as well as after resistance forces and organizations of military units had developed in a number of European countries. Millions of people joined the world's battle against fascism.

Unfortunately, victory was gained at a tremendous cost: There were 50 million innocent victims and demolished towns and material goods. Towns like Coventry, Dresden, Berlin, Hiroshima, and Nagasaki were destroyed. There were millions of handicapped, traumatized, homeless people, and destroyed families.

Painful Lessons

World War II generated the following painful lessons:

—Mankind must never underestimate the dangers of various authoritarian, anti-democratic, and fascist movements.

—Man's freedom and democracy cannot be exchanged for anything.

—Man's initiative and his care for himself and for the family cannot be replaced by the force of the state—neither by the "divine nation" nor the "chosen leader."

—International institutions and collective security are the essential condition for peace and security in the world.

—The social state is the modern solution that provides possibilities for abating the negative actions of the laissez-faire economy.

—Assistance for all nations and countries in the world that have chosen democracy and the market economy is indispensable, as the safest means for undertaking a preventive action against conflicts.

—The future of man's progress lies in support for integrating processes on all continents. The best prospect for our continent is a united Europe, a common home of all European countries and nations.

During the 20th century, Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] has had painful experiences. The Balkan War and World War I imperiled our people's struggle for freedom, to maintain its national identity, and to achieve that centuries-long ideal: one's own state. During these wars, the Macedonian people were subjected to fierce denationalization and genocide:

—The Macedonian people were divided and occupied.

—The territory of present-day Macedonia was rebaptized South Serbia.

—The use of the mother tongue was banned.

—Education was only allowed in the language of the ruling nation.

—Personal and family names were changed.

—The Macedonians did not have access to state and public institutions.

—The people were exposed to economic exhaustion. Methods of political and psychological pressure were applied with the goal of destroying the national identity.

The same methods of denationalization were also applied to the Macedonians in Greece and Bulgaria.

All nationalities living in Macedonia shared the same fate.

Before the start of World War II, there were no prospects for the economic and social situation in Macedonia, and human and national rights were suppressed. This frantic policy even created a feeling among the occupiers that they would soon achieve their ultimate goal: to alter the Macedonian people and delete Macedonia as a nation off the map, although it is a nation that has its own rich, centuries-long history and struggle for independence and for its own state.

Just after these wars, the Macedonian people suffered another bitter experience in the National Liberation War: Divisions within the VMRO [Internal Macedonian Revolutionary Organization]) and its inability to adapt to the new conditions after the Balkan wars badly affected the position of the Macedonians.

However, even in this extremely difficult historical phase, the Macedonian people decided to offer resistance and safeguard their own ethnic and cultural traditions. A gradual self-organizing started, based on the revolutionary traditions and rebellious spirit of the Macedonian people. That is why it focused the perspective of the National Liberation Movement on a new workers' movement in the Balkan countries. This process was appropriately fostered by the appearance and growth of the Macedonian intelligentsia between the two World Wars. An alliance of progressive political forces was created within the workers' organization in the then-imposed state community. That was the reason the Macedonian people were subjected to new pressures and repressions. It was a period of mass persecution, imprisonment, and migration. In such difficult circumstances, there hung the threat of fascism and the beginning of World War II.

Struggle for Centuries-Long Ideals

All this defined the character of the struggle of the Macedonian people in this period. That struggle was

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organized on freedom-loving foundations, in favor of national and social freedom and against the threat of fascism. The national front was formed on the broadest basis, led by the Communist Party and with the participation of all democratic, freedom-loving, and patriotic people. It was an alliance of the liberation movements of the nations in the region of the former Yugoslavia as well.

It is a fact that, in that period, there was a rightful awareness that this was the Macedonian people's historic chance for its own freedom, and to create its own state. It was a struggle against slavery, against fascism and for the accomplishment of centuries-long national ideals. It all came about as a result of the difficult historical experience and of the proper assessment that three important conditions should be accomplished in order to achieve success in the struggle: First, there was a political platform that linked the struggle of our people with the struggle of all freedom-loving mankind against fascism and tyranny. In accepting this platform, the Macedonian people were included in the well-known allied coalition against fascism.

Second, a strong organization of the resistance and the struggle was created, and the people were prepared for self-sacrifices to achieve freedom and statehood.

Third, there was an appropriate selection of methods and means of struggle that could produce results under conditions of occupation. A mass resistance was initiated. Actions and sabotages were organized—up to the formation of the first partisan units that were followed by an organized national army.

The decision to call for an armed struggle in Macedonia instead of waiting passively was of decisive importance under these circumstances. It brought together the Macedonian people and the nationalities in Macedonia, and it liberated Macedonia from the tragic experiences of the other nations in Yugoslavia that were faced with civil wars. The joint struggle of the Macedonian people and the nationalities was an investment in the democratic and humanistic goals and ideals of the National Liberation Struggle.

Victory became just a matter of time, because there was a resolve to fight and because such an alliance had been created.

The National Liberation Movement made the centuries-long aspirations of the revolutionary struggle a reality: One's own state and freedom were achieved. These were the ideals of numerous generations of revolutionaries and fighters, of an enormous number of victims in the past centuries. The accomplishment of these ideals was a result of the maturing of the concept of an armed national liberation struggle, of the decision for inclusion into the joint allied struggle against all kinds of slavery, against the fascist evil, and for one's own national and social freedom.

Macedonia's contribution to World War II was really big. First, it fought for its freedom with its own army—and 24,000 sons and daughters of this nation lost their lives in that war. At the end of the war, the ASNOM [Anti-Fascist Council of the National Liberation of Macedonia] proclaimed the first Macedonian state after long historical discontinuities. Then began a new historical period that can be rightfully called the period of the renaissance of the Macedonian language, literature, and culture. It was a period in which a great development of all the nationalities living in Macedonia began.

The victory over fascism has a historical meaning. It created the foundations and opened the path to a world of equal nations, to the respect of the rights of man, to a world of democracy and integrating processes. These were huge matters that happened in just one sequence of history.

In the framework of this world, there had been created the conditions for us to build our own state, a state of peace, democracy, and justice, as well as the conditions for understanding, friendly interethnic relations and close cooperation with our neighbors; a state with European features, opting for a part in the big European family.

Because of all this, even on such occasions as this, we must not forget the freedom and statehood that cost us so much, and we must not spare any efforts to safeguard and develop these achievements.

Victory over fascism is certainly a milestone on the road to spreading freedom and democracy in this century. The 20th century marked the end of colonialism. It affirmed the rights of the nations to self-determination and brought about documents historically important for the world community, begining with the Atlantic Charter during the war up to the UN Charter; the declaration on human rights, on the rights and equality of the states and nations; and many others.

However, it would be an illusion to think that the victory over fascism and the creation of the United Nations and the European Union that united all the nations that fought among themselves for centuries and during the two World Wars in this century have definitely defeated the forces of slavery, domination, and denial of national and human rights and freedoms.

Controversial human nature; the numerous historical burdens that are being slowly overcome; the big inequalities and controversies that exist in the world on a

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spiritual and material plan; and the relations between the powerful and the weak, the big and the small, the rich and the poor, will always create conditions for tensions, conflicts, and possible wars. The ideal world is a dream, an aspiration, and a constant struggle to take a step forward. The only guarantee that we shall move forward to a more liberated world and a more liberated life is the knowledge and awareness that one's own freedom, national rights, and the rights of each individual—and their protection—are closely connected and conditioned by the respect for the freedom of other nations and people. That is why tolerance, respect for others, understanding, democratic dialogue, and an open civil society are guarantees of an uninterrupted progress toward the ideal of freedom. Hatred of any kind—racial, national, religious, or any other kind—leads to conflicts, wars, and the destruction of material and cultural wealth.

There are no divine, biblically chosen nations or persons with special missions, or leaders chosen by providence. The building of a free and democratic society primarily implies care in the family for the creation of the democratic awareness of free and responsible people for their own sake and for the sake of society. Education in schools should be free of dogma and the glorification of one's own history, but it should teach about patriotism and love for the fatherland—for the cultural and other values of one's own nation, and for its dignity. It should also teach about the tolerant building of democratic institutions, about legislation based on the best experiences of democratic development and on one's own freedom-loving practices, the practices of a nation that has never enslaved anybody but has itself been enslaved and oppressed by others so many times. Freedoms and human rights, therefore, are not given once and for all, and they are not limited. The ultimate ideal is expressed by the visionary and prophetic determinations of our great Goce Delcev [revolutionary and a founder of VMRO]: Let wars, hatred, and attacks against freedom and human and nations' rights stop, and let cultural competitions among nations begin.

We Created Our Own State

Fifty years have passed since the victory over fascism, and as I mentioned at the beginning, we are full of joy—for the victory, for the historical triumph, for having created our own state. However, we are also full of sorrow for the victims. Although our country has not experienced a civil war, there were people on different sides in the struggle, even on the side that was opposed to the national ideals of our people, and there were some who even supported fascism and the occupation.

A lack of freedom, fascism, and Stalinism cannot equal freedom and democracy. Nevertheless, it is now time to leave the dead to rest in peace with decent respect. We must do our best to find the graves of the dead, even if they were on the other side, in order to enable their successors and relatives to show their respect and care for their eternal home.

Throughout its history, Macedonia has been exposed to diverse propaganda, denationalization, and aspirations—and there are similar attempts now. This is why we are so emotional when this issue is at stake. Today, however, we have our own state, we are a nation with affirmed cultural values, and we have our own place in the community of nations. The wheel of history cannot be turned back. Thus, let the dead rest in eternal peace. It is our human debt as a peace-loving, just nation.

The present moment is extremely alarming. The shadows of the past seem to be hanging over the Balkans again. People who have lived together for decades are now fighting. They are exterminating each other, forgetting the lessons of history—particularly of their common struggle against fascism—forgetting the deep wounds that it caused.

Was it not possible to avoid war, 250,000 casualties, and divided states that can no longer live together? Was it not possible to divide them peacefully and to continue cooperation and mutual respect, with an orientation toward joining the common European family?

Unfortunately, instead of doing this, the wish for domination was stronger, including the challenge to use violence, disregarding the price. The whole of freedom-loving mankind is disgusted with what is going on in these European territories. It is not necessary to issue a major warning in order to make people understand that no freedom, statehood, or human dignity is given once and forever—and that peace, tranquility, and progress demand day-to-day care and love from every person. States are recognized as democratic and freedom-loving or not according to their basic characteristics.

Our nation has opted for peace, for the respect for human rights, for cooperation with our neighbors, for a united Europe, and for collective security. It will not falter along this road because of the effects of the sanctions and the embargo or because of attempts to deny its statehood, nationhood, or language. Our nation's identity has been maintained with wisdom and historical experience, and we have created our own state. We have a very noble task: To make our home the home of free people and of citizens with equal rights and duties regardless of their national, religious, or cultural affiliations.

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Such a Macedonia is a guarantee of peace and prosperity in this unfortunate country.

Skopje Mayor Killed in Road Accident

LD1005174595 Belgrade TANJUG Domestic Service in Serbo-Croatian 1442 GMT 10 May 95

[FBIS Translated Excerpt] Skopje, 10 May (TANJUG) Oran Nikolovski (30), chairman of the Skopje City Assembly, was killed in a traffic accident near the capital of The Former Yugoslav Republic of Macedonia [FYROM] at about 0500 [0300 GMT] this morning.

According to a statement by the investigating authorities, for reasons which have not yet been established, Nikolovski lost control of the official vehicle he was driving, swerved to the left-hand side of the Tetovo-Skopje road, and then went off the road near the turnoff for Lake Treska—which was fatal.

Ljiljana Sopova, the investigating judge of the First Municipal Court in Skopje, announced that one other person was traveling with Nikolovski and this person is in Skopje hospital with serious injuries. The person's name and sex have not been disclosed. [passage omitted]

Weekly Criticizes Brutality at Prison

95BA0217A Skopje PULS in Macedonian 31 Mar 95 pp 10-12

[Article by Vladimir Jovanovski-Sinisa Stankovic: "Bloody Monday"]

[FBIS Translated Text] *The sentenced inmates from Idrizovo KPD [Reformatory] climbed to the roofs of the prison's two buildings and the semi-open section to protest what according to them was the illegal and "connected" release of a murderer. The prison's administration and the Ministry of Justice discussed with them their nebulous (amnesty behind which, according to the official viewpoint, the organizers sentenced for most severe crimes hide behind the many rebels) or entirely justified (improving the living conditions) demands.*

When the ultimatum issued by Minister Popovski expired, the Ministry of Internal Affairs came on stage. This was followed by a demonstration of power and brutality, in a showy display of police organization, blood, moaning, and martyrdom—which raises a number of issues. They include the most sensitive issue: Is beating the prisoners, deprived of civil rights, in front of television and still cameras a reminder to those who may be fighting excessively, according to the authorities, for human rights?

It has already become the rule that any greater action on the part of the MVR [Ministry of Internal Affairs] triggers controversies: The ridiculous actions in Radolista, Kuklis, Tjorce Petrov, and ending with that in Mala Recica, in the course of which journalist Branko Gerovski was severely injured (let us not waste words describing the escape from the police station in Avtokomanda, which ended with the death of the escapee; the firing at a girl in the Jane Sandanski settlement in Skopje; a car chase in the center of Skopje; the case of the accidental firing of a shot during an interrogation; or the death of the recently interrogated individual in Bogomila....) are incidents that have regularly put the Macedonian police on the carpet. Unfortunately, its professionals frequently have to suffer the consequences of high-level policy. The protests of the prisoners at the Idrizovo KPD and their bloody suppression in the presence of journalists and diplomats, in addition to the explosion triggered by the degree of democracy displayed by the Ministries of Justice and Internal Affairs, was shocking by its very nature. Who needs this?

More than enough has already been said and written about the events that occurred on Idrizovo's Bloody Monday (in addition to the basic puzzle generated by the ease with which the prisoners reached the roofs of the buildings—and meanwhile, what were the people who are paid to guard them doing?). Except for Thursday, when the authorities recaptured the roof and the area under it, after some of the inventory was demolished (according to what one could see later: shelves, beds, and other furniture scattered in the staircases, and a few tiles in the courtyard), the first four days of the rebellious strike by the Idrizovo inmates was quite uneventful. The other side was the fierce discussions between the authorities and the inmates—whose demands that sentences be reduced by one-half were totally unacceptable—and the demands for improved living conditions, living conditions that are today even worse than conditions under "communist" times, unfortunately far exceeded the possibilities of the state.

The press conference organized by the discussion group of inmates was an unheard-of precedent in journalistic reporting of "black chronicle" events in our country, and the authorities' need to allow such a medium to cover this event triggered a great deal of controversy already back then (to say the least. Not serious and really unofficial statements were made to the effect that the protests were organized by political factors from the outside precisely at the time of the CEI [Central European Initiative] conference in Skopje could only be considered a product of the political paranoia in which we live and which, unfortunately, is being nourished daily).

After the ultimatum issued by Minister Vlado Popovski expired on Monday afternoon, one could already

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guess that things would not unfold as smoothly as the inmates—probably having learned from the last similar example of several years ago—were hoping. In the chaos that prevailed on the prison's premises—which could be entered (by journalists) by special permission of the Ministry of Justice—when buses and trucks began arriving at the reformatory carrying "fresh" political forces wearing helmets and carrying shields, it was clear that the time to settle final accounts had come, and that order would be imposed.

This was also made clear through the action of assembling the inmates from the open section, which is outside the prison walls. Some of them tried to take advantage of the general hullabaloo created in front of the gate and (at first glance) across the broad meadow to escape. Unfortunately for them, a group of policemen followed them quickly, apprehended them, and whacked them across the shoulders a few times. The PULS team was given the friendly advice not to move around the open block too much in order "to not embarrass certain members of the police"—for which reason we returned to the gate.

Before the new arrivals came, Stojan Ristov, the warden, entered the prison yard and, using a megaphone, offered the traditional 15 minutes to surrender. The answer, while waving the portrait of Goce Delcev, included shouts, such as "this is not a mutiny," "we want the truth," "we are not lying," "we have no weapons," and, addressed to the journalists, "come in!"

At the end of the chanting a song was heard: "We too are children of Macedonia and have the right to life," and this entire oratorio ended with the shout "Macedonia, Macedonia." This (and the subsequent singing of the Macedonian anthem) was especially interesting, for the inmates included dozens of Bulgarian, Serbian, Albanian, and Turkish citizens.

The police offensive began after the talks between the administration and the strikers failed. Fully geared, the police surrounded the two buildings housing the inmates. To our great surprise, in addition to the "organs," the newsmen were allowed to come. Although we had been initially instructed to leave the prison until the end of the talks (we heard over the radio "together with the warden, let the journalists show up!"), Deputy Secretary Dime Djurev—who, using a telescope, was observing the situation across the wall, standing on the balcony of the administration—allowed the television cameras, and after that the journalists as well, probably as a gesture of goodwill.

At that point such a decision was totally unexpected. We stood below the windows of the wing housing nonworking and sick inmates, waiting to be asked to leave the courtyard again (shouts were heard when the buildings on which stood the inmates were surrounded: "This is worse than Chechnya," "Friends, you too would support us, if you were to spend a single day inside with us," "If you are killing us for 300 marks monthly, why do you need rifles?" A policeman from the advancing line whispered confidentially: "Everything will be ready in 10 minutes."

Immediately after the inmate buildings and the semiopen ward were surrounded, a police helicopter flew over the heads of the mutinied inmates (with an MTV camera). This was apparently an effort to frighten the inmates by blowing dust in their eyes. It failed.

While the action of the MVR "air force" was taking place, we spoke with the people of the hospital ward, who were not actively participating in the rebellion. The inmates told us that they were sorry the public was being manipulated by being told that they were armed; that they were not granted the promised postelectoral amnesties; that nothing in the building of the closed inmate ward concealed anything; and that there are no organized murderers, that all this was spontaneous and that there have been many cases of bribing the personnel to allow the release of inmates....

The real action began after the helicopter disappeared. Two MVR transporters reached the back of the closed ward, intending to breach the wall. The bars on the windows of the mess hall and the kitchen storehouse were tied to the vehicles with cables. They were easily removed. At the same time, specialists appeared who broke the window glass and, using "cowboy steps" and propping one another, reached the ground floor. We tried to follow them. Via a wooden staircase, we reached the warehouse (one of whose walls bore, as supreme cynicism, the inscription: "Observe common hygiene if you want to live cleanly!"). However, our efforts to reach the hall of the building, was prevented by the specialists.

Meanwhile, the activities of the firefighting department began in the yard. First, the firemen raised the rescue ladder (which in this case may have had a somewhat different purpose, i.e., that of spraying the inmates); after this, the air mattress for jumping was inflated. Considering where it was placed, not a single inmate tried it, not believing that they would be able to reach it. Subsequently, a policeman climbed the ladder, intending to hose the hot prisoner heads. However, one of the strikers nervously began to shout and jump on the tiles, and a number of people on the ground held their breath.

From the rear, the action moved to the front part of the building. A group of specialists was in the hall awaiting instructions via radio. They wore camouflage

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clothing and black woolen ski masks with holes for the eyes and the nose, as well as mittens. They carried a variety of revolvers, automatic rifles, tear gas rifles, and all kinds of clubs. They looked truly frightening—like characters in action films. While waiting for instructions to go into action, one specialist, his face dyed in green, demonstrated his skill in handling his club. We asked to be allowed to go to the higher floors, where the rebels had barricaded themselves. After a consultation with the authorities, the commander, who could be seen on the TV screens as the first to break the windows of the kitchen, prevented us.

We walked to the neighboring semiopen ward. There, we were astonished to see that there was not a single policeman to be found. Waiting for us were several inmates from the hospital ward who had not accompanied the rebels who called themselves strikers. In order to assure us that they were not lying, they showed us pills for ulcers, diabetes, kidney diseases, and so on. We asked them what was the reason for the protest. They confirmed the story of the unexplainable release of inmate Mile Hadziski (whom they called Handziski) and of his alleged high political connections. "How is it possible to release an inmate who should be in jail for 15 years after only one year?" they asked.

They invited us inside to take a look at the "animal-like" conditions in which they live. We considered whether to accept the invitation and did not feel all that comfortable. The police had warned us that it would be easy to take journalists hostage. Still, they begged us so convincingly that we agreed. There were some 10 beds in the sleeping quarters. There were mats on the floor. In one corner stood a stove that no one dares use ("from the winter before last"). The bed sheets were dark gray and torn, and the covers were in a stage of decomposition. We saw the toilets. It would be difficult to think of something worse. Some partitions were half a meter high ("so that we can converse"). The entire area, with crumbling mortar from the walls, was moist, stinking, and stifling. It was truly bad.

We left these premises and once again went to the main building—where, shortly afterwards, the capture of the upper floors began. What we heard from below was that the police first tried to break down the barricades with axes and shovels. They were eventually successful, using a massive ram. The specialists reached the area below the roof. As to what happened afterward, we cannot be sure, for only the MTV photographer had the possibility of seeing from above.

The resistance of the inmates could be neither seen nor heard (at first it was said that the inmates had weapons others than firearms, i.e. knives and the like. Subsequently, although unofficially, it was claimed that they had thrown away such weapons so that they could claim that they were strikers and not rebels. Subsequently, Minister Popovski said that they resisted with sticks. Finally, we saw on television an entire arsenal of self-made weapons). However, the fact that the resistance was crushed was obvious: There was beating so severe as to cause the people to wet their pants (literally!). In about two and a half hours, which was the time it took to get the rebels out, there were so many horrors that the more sensitive among the newsmen began to question their own profession and make comparisons with vultures.... (While no news could be obtained about what was happening behind the wall, some of the journalists stretched out on the grass in front of the "black Marias".)

The police formed a line from the third to the ground floor, a line that had to be crossed by all the captured inmates. Every inmate was cruelly struck over his entire body, so that most of them, when they reached the yard, were unable even to stand, to say nothing of walking. The most frequently used instrument was, naturally, the club. However, also used were kicks, fists, elbows, the butt ends of tear gas rifles, beating heads against hard objects (such as the iron entrance gate), and so on. Shocked, we asked the policemen whether it was necessary for the already handcuffed inmates, with their bloody faces and offering no resistance, to be further beaten, just casually, to make them remember. We got some sharp looks in response. (We must point out that the inmates, even before reaching the line of policemen along the stairs, had already been handcuffed and could not no longer provide any serious resistance.)

TV viewers could see some of the bloody atmosphere on their screens, but this was a very small part of what was happening at Idrizovo. The horrible shouts, moaning, and complaining will be remembered for a long time by the civilians who were present.

Anyone who may think that this is the normal way of resolving similar problems throughout the world should, at least once in his life, find himself in a situation in which, for more than two hours, his eyes see people unable to stand from having been beaten, with bloody faces and dripping bloody saliva, with pants wet from their own urine....

Yes, some of them are murderers, drug dealers, rapists, black marketeers in weapons, and robbers. Yes, some of them, being unscrupulous criminals, must pay most severely for their guilt. Yes, some of them.... But the rest? These people too are people! People with faults, and with errors they have made, for which they must pay. But is it that the inmates—people who normally

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have limited freedoms and rights because they are in prison because of the evil acts they have committed, and who have lost their civil rights—have no rights at all? Human rights, for example? If force (and beating) were necessary to counter the inmates, why was their severe beating necessary after they had been captured? Who gave that order?

Police General Stanoja Bogev and Deputy Secretary Dime Djurev entered the prison building at around 1540 hours. Djurev warned the general, "Stanoja, watch out. They may throw something."

After supervising the action, Djurev improvised a press conference (the answer to the question asked by PULS is in the caption under the picture on the preceding page: PULS: Is the resistance by the prisoners so great as to justify such brutality? Djurev: I don't know what kind of brutality you're talking about—but, in any case, there is resistance!).

Throughout the operation, police vehicles were parked in front of the building of the closed ward into which the rebel strikers were pushed. At around 1600 hours we heard folk songs coming from a radio. Once again, in vain, we asked whether such roughness was needed. The policemen—who indeed do not have to answer (answers may be given after Bloody Monday in Idrizovo by some of the pertinent ministries or the government)—remained silent. There was only one comment: "You find this laughable (?)—probably our twisted expressions were interpreted as laughter—but for us this is the truth!"

Hearing this answer we experienced even more strongly a feeling of emptiness caused by the lack of representatives of the entire herd of human-rights organizations.

What is interesting is that, precisely, standing near the "paddy wagons" was the Bulgarian ambassador, Angel Dimitrov ("democracy" and "broadmindedness" in international relations are phenomenal but what is interesting is: when will one mention any kind of reciprocity!). Dimitrov, reveling in the abundance of the questions that were being asked of him did not shy away from biting comments concerning the personnel of the MVR: "Are you pleased now, Mr. Policeman?" he asked one of the uniformed policemen, enjoying the sarcastic nature of his own remark. Luckily, he got no response to such teasing.

Sometime around 1630 hours, all 354 inmates were brought down from the roof and taken to the assembly point: the prison's visiting room (a place that should be a house of love, in which the inmates meet their spouses—and which now became a premise for shivering and shouting inmates). This applied to all of them with one exception: that of Goran Donev, known as Chaki, the person who, some two hours earlier, because of his unarticulated behavior, was doused by the firemen but did not surrender. In his neurotic "craziness" (according to the explanation later provided by Minister Popovski, this man was addicted to pills), he hurled himself around and jumped on the roof, throwing tiles and rocks on those below and threatening to jump and commit suicide. He was so convincing that, on the ground, a number of policemen and journalists began to bet on whether or not he would carry out his threat. Discussions with Chaki lasted almost one hour. The prison psychologist came and tried to gain the trust of the excited Chaki. He failed. Chaki, who was proclaimed a hero by Radio Channel 103, remained on the roof (for several more hours).

At around 1700 hours, the column of 200 policemen began to withdraw. While uniformed police marched in step, leaving the prison, there were groups of some dozen inmates standing on the side, one behind the other (mainly from the semiopen ward), with their heads bent as they had been instructed, waiting for space in the "visiting room" and to join their "colleagues." Perhaps precisely for that reason they were unable to see that at the very door of the ward, clubs awaited them. However, they could hardly fail to hear the thunderous shouts that came from the premises they crossed. The moment the iron gate of the prison shut behind us, we left Idrizovo as fast as we could, with the shouts of those who were being beaten ringing in our ears.

After a sleepless night, again shudders and questions. When, finally, will the ministries begin to react promptly? Although it is known that the lack of information on the part of the prisoners as regards the ruling by the Macedonian Constitutional Court (according to which any preventive detention exceeding 90 days is unconstitutional and under which the famous Mile Hadziski was released) was the basic reason for the prisoners' rampage, the Ministry of Justice made an announcement only after denying for six days the existence of such cases, and explaining that Hadziski was released according to the law (or loopholes in the law), that he is not related to any current minister, and that he has no connections.... (Is it not especially a question of whether or not the drafters of the Constitution lived in Macedonia, were familiar with the slowness of our courts; and truly believed that the Constitution's effect should be that of protecting human rights, instead of allowing murderers to go free?)

Furthermore, if the beating of the inmates was so severe despite the presence of the public, what would have happened (what is happening?) behind closed doors? Could it be that the fact that no one died in

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this operation also be due to the fact that resistance by the inmates was so brief, and not just that the operation was such a success? Conversely, isn't it true that the successful show staged for the journalists was also aimed at showing, in the easiest way possible, the police's unscrupulousness and readiness for any "special" assignments—to put fear into the heart of any dissident who may, in the future, try to protest publically? Could Macedonia become the shock news of world news agencies, in terms of police actions? Did that Monday in Idrizovo have to be so bloody?

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Yeltsin-Clinton Summit, NATO Issue Viewed

LD1005203695 Warsaw TVP Television Second Program Network in Polish 1900 GMT 10 May 95

[From the "Wiadomosci" program]

[FBIS Translated Excerpt] There is no accord between Moscow and Washington on the issue of expanding NATO. At the Moscow summit, Bill Clinton was not capable of forcing Boris Yeltsin to approve expansion of the Pact. The two only agreed that they will return to the subject in a month, in Halifax, and again in late fall, at the UN session. Yeltsin agreed, however, to finally join the NATO Partnership for Peace program. [passage omitted]

[Moscow Correspondent Jacek Biernacki] Those who still harbor the hope that the issue of our membership in NATO will be resolved quickly may be disappointed with the results of the summit and even start off with the assumption that it is time to bid farewell to our dreams. It was, however, difficult to expect that someone like Clinton would be capable of dragging Yeltsin, who is on his own ground, by the tie in front of journalists and instructing him to withdraw his opposition to the expansion of NATO. It is all the more difficult to expect Yeltsin himself to show remorse and say: Well, in fact, off you go, to that NATO, what does that matter to me?

The fact that both sides did not hide the differences on the issue of NATO, the fact that they will be discussing this again in Halifax and later, probably signifies that Clinton has fortunately not completely sold off the idea of expanding NATO in return for a centrifuge and two reactors for Iran—and that, above all, is what he had to arrange because Iran and not Central Europe is what concerns U.S. electors more. In any case, we were warned earlier that we will not enter NATO tomorrow or within a year. Clinton in Moscow bought the declaration of Russia on entry to the Partnership for Peace program, perhaps as early as at the end of May, which fact was spoken of in the lobbies of the summit. The West perhaps wishes to have the certainty that, when a decision is made that NATO is accepting new members, Russia will not start to protest, for instance, using the atomic scarecrow without compunction.

The entwinement of Russia into obligations toward the West through Partnership for Peace, through strategic partnership, through the OSCE, might then, in case of need, give the West an argument: Russia, you had an opportunity, and, because you are turning your back, we are widening our zone of security. A breakthrough on the issue of expanding NATO and European integration may, in any case, only ensue next year: presidential elections in Russia, presidential elections in the United States, internal reform of the EU will perhaps create a completely new arrangement of forces, and it will surely decide who and when to pull into the European military and economic structures. That is why it is worthwhile for us to arm ourselves with patience and exploit this period so as to convince the West that our possibilities are equal to our integrationary ambitions; and since the political temperature in our country will increase after the holidays, as well, it is worth striving to make sure that it not be acknowledged as a disease that no cold compresses from NATO and injections from the EU will help.

Commentary Criticizes West's Policy on Russia

WS1005144595 Warsaw RZECZPOSPOLITA in Polish 10 May 95 p 5

[Commentary by Piotr Skorzynski: "The Winners and the Defeated"]

[FBIS Translated Text] Leaders of victorious superpowers gathered at the 50th anniversary of the ending of World War II. What was impossible in 1945, when Stalin celebrated the Berlin victory alone, became possible in 1995.

Leaders of Russia, Great Britain, the United States, France, and, most significantly, Germany stood side by side at the Kremlin. The presence of Helmut Kohl is the ultimate evidence of the normalcy achieved by the nation which started the greatest war in the world's history.

What allowed the Germans to regain their international prestige? Two factors were decisive here. First, complete liquidation of the Nazi system by the Allies and by the postwar German political elites, as well as the introduction of a democratic order. Second, immense economic aid, which, combined with the efforts made by the German people, enabled them to reconstruct the state and turn it into an economic superpower within just a few decades.

The starting point for this process was the fact that the allies decided not to take revenge on the defeated. Rejection of a policy involving revenge paid off a hundredfold. Revisionism, which was deprived of solid arguments, was relegated to the margin of public life; in place of the aggressive Reich, the Germans built a stable Federal Republic, reconciled with its own location on the political map of the continent.

The questions asked in the 1940's are in some respects similar to the current dilemmas. The West—a winner in the Cold War with communism—is wondering today how it should treat its former adversary. The Soviet Union has been defeated and the Soviet system has been

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dismantled (even though one may ask how complete this dismantlement was). However, the construction of democracy is not smooth—the ultimate argument of President Yeltsin in his fight against political adversaries is still the use of tanks—and the free-market economic reforms have been stopped halfway. Unlike postwar Germany, Russia continues to be a military superpower; also, it has not given up its imperial aspirations.

Since 1989 the West has been rather consistently implementing the "German" option in its policy toward Moscow; it has been avoiding unfriendly gestures toward the defeated. The defeated? There is no feeling of guilt or defeat in the voices of Russian politicians and generals. Will this mild, sometimes yielding policy pursued by the West not result in a revival of aggressive tendencies in Moscow? Will it not encourage the Kremlin to return to its traditional goals and methods of implementing its foreign policy? This is the first danger of this policy toward Russia. Adoption of a tough option entails a similar threat. Violent rejection of Russia's claims to the status of a superpower, as well as an attempt to resolve European security dilemmas without Moscow or against it, would be bound to curb the process of democratization and push Russia toward Zhirinovskiy and General Lebed.

Between these two dangers runs the line of a rational policy toward Russia. Will Western leaders find it?

Oleksy Returns From Moscow; Defends Visit

LD1005123195 Warsaw PAP in Polish 1150 GMT 10 May 95

[FBIS Translated Text] Warsaw, 10 May—After his return from Moscow, Prime Minister Jozef Oleksy told journalists today at the airport that his presence in the Russian capital during the ceremonies marking the 50th anniversary of the end of World War II was necessary and he served Poland by being there.

"Poland greatly contributed to the defeat of fascism, and I am of the opinion that wherever we can emphasize this by our presence, we have to do it," Oleksy said.

The prime minister said that a motion, prepared by the Presidential Chancellery, for bringing him before the State Tribunal for his decision to go to Moscow "is a sensational issue that does not serve Poland and the opinion of Poland well."

Andrzej Zakrzewski, the minister of state in the Presidential Chancellery who represented Lech Walesa in Moscow and returned together with Oleksy, said that his talks with the head of the Russian president's administration indicates that "one can talk about good chances" for Boris Yeltsin's participation in the ceremonies at the graves of Polish officers in Katyn. President Walesa is expected to be there.

Commenting on a statement by the President of Belarus Alyaksandr Lukashenka critical of President Walesa, Prime Minister Oleksy said that it had been an indiscretion, and Minister Zakrzewski added that as a state official he would not like the president of Belarus to appraise his president in such a manner.

Chancellery To Indict Oleksy Over Moscow Visit

Minister on Draft Resolution

LD1005212495 Warsaw TVP Television First Program Network in Polish 1730 GMT 10 May 95

[From the "Wiadomosci" program]

[FBIS Translated Excerpt] Tomasz Kwiatkowski, minister of state in the Presidential Chancellery, has said that he has prepared a draft resolution on the indictment of Prime Minister Oleksy before the Tribunal of State for having travelled to Moscow against the will of Lech Walesa. Minister Kwiatkowski noted that he has prepared the resolution at his own initiative. Presidential Spokesman Leszek Spalinski said he does not believe that the president will sign this resolution.

[Unidentified correspondent] In the view of the spokesman, Lech Walesa will not sign the resolution since the final decision on the indictment of the prime minister before the Tribunal of State belongs in any case to a parliament in which the overwhelming majority belongs to the government coalition:

[Begin Spalinski recording] Irrespective of whether the president will sign or not sign, the important issue is consciousness, the illustration of certain situations which are, in the president's view, situations unfavorable to the Polish state. [end recording]

In the view of the Presidential Chancellery, in travelling to Moscow for the commemorations of the end of the war against the will of Lech Walesa, Prime Minister Oleksy transgressed the Constitution. The Chancellery cites the clauses which speak of the president being the highest representative of the state in international relations and the one who exercises general direction over foreign policy:

[Begin Kwiatkowski recording] The draft of this resolution is ready, which is summarized as follows: Were the president to take a political decision, then we are capable of executing it very quickly, within a few dozen minutes or so, and of presenting the appropriate resolution for his signature. [end recording]

The prime minister was not surprised by the resolution, since the conflict with the president over the trip to

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Moscow has been going on now for several weeks. [passage omitted]

Commission Head Defends Oleksy

LD1005210995 Warsaw Polskie Radio First Program Network in Polish 1800 GMT 10 May 95

[FBIS Translated Text] Jerzy Wiatr, Chairman of the Sejm Constitutional Responsibility Commission, has deemed the motion to bring Prime Minister Jozef Oleksy before the State Tribunal, prepared by the president's Chancellery, as groundless.

According to Tomasz Kwiatkowski, deputy head of the president's Chancellery, Prime Minister Jozef Oleksy violated the Constitution by going to the Moscow ceremonies marking the 50th anniversary of the end of the war. Jerzy Wiatr thinks that the prime minister does not need to have the president's consent for any trips.

After his return from Moscow, Prime Minister Jozef Oleksy said that his presence in Russia's capital to celebrate the 50th anniversary of the end of the war was necessary and he was serving Poland by being there.

Walesa's V-E Address, Stand on Oleksy Hailed

WS1005071895 Warsaw ZYCIE WARSZAWY in Polish 9 May 95 p 1

[Commentary by Bronislaw Wildstein: "The Significance of the Past"]

[FBIS Translated Text] The theses of the presidential address [to parliament on 8 May] seem obvious. Besides, they have been confirmed in a resolution passed by parliament. The outrage Walesa's speech raised may paradoxically point to the need for calling for some elementary truths. If the coalition thunders that wounds should not be scratched open, one may only quote literature and say that, on the contrary, they should, so as to prevent them from "growing over with the flesh of sordidness." That is why we should celebrate the anniversary of the victory which was, in fact, not a victory for Poland, although it did put an end to the murderous occupation.

If we settled all accounts with the past, if those responsible for 50 years of totalitarian enslavement were at least symbolically chastised, if the most hideous communist crimes were taken to court, if... we could then say: The time has come to break with the past. Since nothing of the kind happened, and because history was presented as a world of relativity, where no one is responsible for anything, the proper proportions must be restored. For the sake of normality we should define what an independent and democratic Poland can build on, and what should be rejected.

We do not need to be present on the reviewing stand in Moscow to celebrate the victory of the Red Army, especially at a time when Russia's imperial traditions are renascent and its Army is pacifying Chechnya. The president's assessment of the prime minister's efforts to go there is, thus, justified.

Everything shows that Walesa's speech was an element of the presidential campaign he launched one year ago. There is nothing wrong with the fact that democratic mechanisms coerce the president into proper behavior.

Security Office Seeks Broader Presidential Powers

WS1005123195 Warsaw ZYCIE WARSZAWY in Polish 10 May 95 p 2

[Article by "LUZ": "Defense. Controversy Over Presidential Powers; Do Walesa's Prerogatives Have To Be Broadened?"]

[FBIS Translated Text] Head of the presidential National Security Office Henryk Goryszewski has just presented deputies with details of a compromise offer by the Belvedere on subordinating the head of the General Staff of the Polish Armed Forces.

The document states that the president will be capable of fully performing his constitutional obligations only under condition that:

—assumptions of the state defense policy (including suggestions on development and structure of the Armed Forces) elaborated by the defense minister are submitted to him for approval;

—the president is authorized to issue state defense instructions to the defense minister independently of the Council of Ministers and other bodies (most probably the National Defense Committee was meant here);

—a deputy defense minister who acts as defense minister in the latter's absence for more than 20 days may continue to perform those duties only with the consent of the head of state;

—the defense minister may rearrange the structure of the General Staff (at the head of the General Staff's motion) after having asked the president's opinion; that opinion is to be binding for the defense minister;

—the defense minister continues to have a decisive voice on the structure, organization, and operations of the Armed Forces of the Republic of Poland, but he must make these decisions either at the motion of or in agreement with the head of the General Staff;

—the government has to define the specific scope of the defense minister's powers in agreement with the

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president; only once such an agreement is reached does the Defense Ministry become statutory.

Goryszewski's suggestions will now be analyzed by the Sejm subcommission that has worked on two rival drafts on the subordination of the head of the General Staff. The presidential draft provided for partially subordinating the head of the General Staff to the president, while the deputy draft stated that he should remain subordinated to the defense minister.

The Belvedere finally agreed to suspend work on a new draft, but only under the condition that the aforesaid suggestions be considered in the draft. Talks with deputies from the Defense Commission show that this is highly unlikely. "The president should be content with what he already has. Together with his minister—disregarding the prime minister and the coalitionist majority in the Sejm—he can change heads of districts, heads of the General Staff, and promote his own men to generals. All we can do is watch," complained one of the postcommunist deputies to us recently.

This is most probably why the Belvedere draft has not been formally withdrawn from the Sejm. The president may reach for it whenever he wishes.

Jurek Appointment To Head KRRiTV 'Smart Move'

WS1005122195 Warsaw ZYCIE WARSZAWY in Polish 10 May 95 p 1

[Commentary by Piotr Zaremba: "The President's Stratagem"]

[FBIS Translated Text] Lech Walesa's idea to appoint Marek Jurek, a politician from the Christian-National Union [ZChN], as head of the National Radio and Television Council [KRRiTV], is a very smart move.

The media are viewed by the right wing as a domain of the secular left—even under President [of Polish Television] Walendziak. The feeling of having a real influence on television would be a huge success for ZChN. On the other hand, Jurek's party is hesitating whether to support the current president or Adam Strzembosz. Will the post Walesa has given them tip the balance? Will that not cause other hesitating rightist parties to follow suit? Will this not influence the stance of the church?

The idea of appointing Jurek is dubious from the point of view of the logistics of KRRiTV itself. It was to be an independent body, safeguarding the impartiality of the media. It is dubious not because of the intellectual qualifications of the ZChN politician—those may hardly be questioned—but because of the radicalism of his views. This is no doubt a candidate "from the extreme." A candidate from the ultraleft would be just as controversial.

Yet this is precisely what Walesa wants. Protests from leftists and liberals are to confirm his position of a defender of patriotic and Christian values. The advocates of those values may perhaps forgive him for having compromised with the postcommunists. The current president has hundreds of possibilities to cover up for what he did during his term office with one word or the stroke of a pen.

Should Marek Jurek, who has so staunchly criticized Walesa and his associates, allow himself to become a victim of the president's maneuvers? The president has executed countless [maneuvers] already.

State, Church Reach No Decision on Concordat

LD1005165495 Warsaw PAP in Polish 1346 GMT 10 May 95

[FBIS Translated Text] Warsaw, 10 May—The Joint Government and Episcopate Commission did not adopt a declaration of the government and the Episcopate today, explaining controversial issues concerning the interpretation of the Concordat.

Deputy Prime Minister Aleksander Luczak, the commission's joint chairman, announced that the controversies concerned, among others, relations between the state and the church, the issue of marriage, religious education in schools, and cemeteries.

Archbishop Stroba, the metropolitan of Gniezno, said that there were also objections concerning both the volume of this document and methods to explain some controversial issues.

Deputy Finance Minister Discusses Budget

WS0505121995 Warsaw GAZETA WYBORCZA in Polish 5 May 95 p 17

[Interview with Deputy Finance Minister Elzbieta Chojna-Duch by Bogdan Kowalski; place and date not given: "Higher Inflation Means More Money"]

[FBIS Translated Text] *Inflation will be higher than predicted in the budget. This will probably increase the budget's revenues, but it is not clear yet whether there will be enough money for the expenditures envisioned in the budget.*

[Kowalski] After the first three months of the year, the state coffers received 21.1 percent of over 82.6 billion zlotys [Z] planned for the entire year. Does this mean that the plans of the budget revenues were too optimistic?

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[Chojna-Duch] In my opinion the revenues were neither overestimated nor underestimated. Indeed, the situation is a little worse than it was a year or two ago, when it was known as early as after the first quarter that the actual revenues may be much higher than had been planned. Nonetheless, there is no reason to fear that this year's budget law will not be implemented. Hypothetically, only a breakdown in the economic activity might jeopardize these revenues; this, however, seems rather unlikely. Some tax revenues may turn out to be slightly higher, others—a little lower.

[Kowalski] Why?

[Chojna-Duch] It is no secret right now that inflation will be slightly higher than was planned. This may increase the amount of money that the budget will receive. It can also be expected that the income tax paid by natural persons, for instance, will yield a little more money for the budget than was envisioned in the budget.

[Kowalski] However, until the end of March we used as much as 22.3 percent of the nearly Z91.5 billion which the budget envisioned for this year's expenditures. Are you not afraid that by the year's end there will not be enough money to finance those expenditures?

[Chojna-Duch] I do not think that this will happen. It can be estimated that the revenues will be at least as high as was envisioned in the budget. Nor am I afraid of the revenues from the issuance of securities. The overliquidity in banks is bound to be maintained for some time. Thus, banks will be motivated to purchase securities issued by the State Treasury.

[Kowalski] Is it going to be necessary to amend the Budget Law this year, then?

[Chojna-Duch] This is a complex issue. An amendment that would consist of expenditure reductions will probably be unnecessary. Salaries in the public sector are to increase by 6 percent, in real terms. If the revenues are higher than was envisioned in the budget, the government will have enough money to raise salaries in the public sector. This year's Budget Law provides for such a possibility. If, however, they are not higher, it will only be possible to increase the expenditures on salaries after amending the Budget Law.

[Kowalski] How much money would have to be spent?

[Chojna-Duch] Actually, only next January will finally show how high this year's inflation has really been. Thus, we could talk about a 6-percent increase, in real terms, in the salaries of public sector employees no earlier than next year.

[Kowalski] Even if the revenues are higher, there may not be enough money for the salary rises that have been promised. The public sector is bound to demand what it ought to get.

[Chojna-Duch] The pressure to increase the expenditures will be enormous. I believe, however, that the budget deficit must not be widened. This is a sacred thing. Thus, only one road will be left: to decrease expenditures—of course, by amending the Budget Law.

[Kowalski] After the first quarter of the year, the deficit was already more than Z2.9 billion. This was 33.5 percent of the sum planned for the entire year.

[Chojna-Duch] In the first quarter the budget financed additional "extraordinary" projects. It paid Z90,000 for the so-called 13th salaries for public sector employees. Nearly Z900 million was spent as payment of our debt to the Paris Club. The servicing of the domestic debt, incurred in the National Bank of Poland, cost the budget approximately Z1.1 billion. Even though the deficit in the first quarter seems pretty high, we can say that it is normal if we compare it to the deficits in previous years. Last year, after the first three months, we used 33.6 percent of the annual limit, and two years ago—53.7 percent. I expect that in April, when revenues are usually higher than expenditures, the level of the deficit will decrease. Last year it dropped to 18.4 percent of the sum planned in the budget.

Legal Issues of Bank Consortiums Examined

95EP0080B Warsaw GAZETA BANKOWA in Polish 19 Mar 95 No 12, p 14

[Article by lawyer Marek Dojnow; part of a larger study entitled: "What Is a Bank Consortium? The Participants Jointly Provide Capital Without Establishing a Civil Law Partnership"]

[FBIS Translated Text] Lawyers have long since been disputing the legal nature of the bank consortium. Many believe that such a consortium is in the nature of civil-law partnership. If that is so then the validity of the existence of consortiums is in question.

On this subject, banking law is very laconic. It does not clearly define the legal nature of an agreement among banks for joint actions. It merely states (Art. 35, Paragraph 7), "A bank which initiates such an agreement represents, vis a vis the borrower, jointly acting banks and agrees with them on the terms of the loan contract and the principles for mutual settlement of the shared loan." This provision does not allow an unequivocal decision as to whether a bank consortium is a form of civil-law partnership or a special legal-organizational form of lending money.

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Jointly or Not?

Some indication as to how this should be interpreted is provided by the fact that the provision concerning the bank consortium is contained in Article 35 of the Bank Law, an article which regulates the issue of preventing an excessive concentration of credit and other claims. It can thus be inferred that the consortium is conceived as an institution enabling the banks to prevent an excessive concentration of credit in any one bank. This means that the credit exposure of the individual banks participating in a consortium should not extend to the entire consortium credit and instead it should be limited solely to the contribution declared by each bank.

For otherwise the joint responsibility of banks for credit obligations would necessitate reflecting in the financial statement of each participating bank the entire financial commitment of the consortium to borrowers. And then it might happen that a borrower from just one bank (e.g., from an agent bank) would have grounds for claiming the payment of an outstanding balance not paid on time by the other banks.

Thus, the joint responsibility of partners inherent in a civil law partnership is in glaring contrast with the nature of a bank consortium, i.e. the separate and limited responsibility of each consortium member as to the extent of his participation in consortium credit.

A characteristic feature of a civil law partnership is that its assets are jointly owned by its partners (who are not entitled to owning specific fractions of these assets, and who merely own abstract shares therein). Hence, a partner may not demand to be given the part due him, and neither can he dispose of it without the consent of the other partners. These joint assets are separate from the private assets of the individual partners.

By contrast, for a bank consortium it is essential that the contributions declared by individual participating banks be fractionally reflected in the overall amount of the consortium credit, and that the banks can, as the need arises, dispose of them. Otherwise they could not benefit from deductions claimed on their bank statements.

Yet the practice of the consortiums operating in the countries where credit of this kind has a long history demonstrates that deductions are successfully used to meet (if only partially) the claims of the consortium in the event that borrowers are late in repaying their loans.

One or several banks can individually deduct such claims, and this affects the entire consortium. A civil law partnership affords no such possibilities to the banks.

Together or Separately

Banking law does not preclude the possibility of arranging consortium credit as a bundle of individual credit relations between each consortium participant and borrowers, under the combined name of a bank consortium. Such a legal-organizational solution can be very welcome, as it opens to consortium participants direct access to a broader gamut of legal resources, except that the attendant effects concern all the consortium participants.

A civil law partnership precludes such a solution for its ensues from its nature that any legal relations into which the partnership enters entail rights and obligations to all partners inclusively, rather than to each partner separately.

Bound Hands or Contract Freedom

If a bank consortium is a civil law partnership, this would mean that the consortium credit is jointly owned by the consortium participants, and the ability of the banks to dispose of their shares in that credit would be limited.

A bank wishing to unblock its frozen funds could do that by terminating its interest in the consortium pursuant to Article 869 of the Civil Code. But an immediately effective termination can take place only for important reasons (the burden of proof would rest on the bank.) In the event no such reasons exist, the bank can give notice of termination three months ahead, at the end of the fiscal year.

The experience gained by foreign consortia shows that it is practically a rule to leave to banks considerable freedom in disposing partially or entirely of their declared contributions to consortium credit. This is of immense importance to the formation and growth of a secondary credit market, while at the same time enabling the banks to retain the highest possible payments liquidity.

Providers of Capital

A civil law partnership is an outstanding example of a partnership established with due regard to the personal characteristics and interests of partners. For what matters in this case is not only the paid-in capital but also who contributes it. In this respect, a bank consortium is the diametrical opposite of a civil law partnership. The personal characteristics of consortium participants, who are usually excluded from managing the affairs of the consortium, are of no great importance. The participants count chiefly as the providers of capital.

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Even in regard to their participation in adopting decisions that exceed the scope of the "ordinary" activities of the consortium, the participating banks are considered merely providers of capital, and their votes are proportional in importance to the amount each has declared as its contribution to the overall consortium credit.

Profit Distribution

Yet another difference between a civil law partnership and a bank consortium agreement concerns the distribution and payment of profits: Article 868, Civil Code, states, "A partner may demand the distribution and payment of profits only after the partnership is dissolved," unless "the partnership was established for a longer period of time," because then "partners may demand the distribution and payment of profits at the end of each fiscal year."

Should this regulation be applied to a bank consortium, this would mean that in the case of long-term credit the banks could distribute among themselves at the end of every successive fiscal year the commissions and interest due them, while in the event of short-term credit they could be paid only after the credit is finally repaid.

Yet, most often, banks require borrowers to pay an advance commission on participation, plus commission on loan commitment, and interest (depending on the loan schedule) at monthly, trimonthly, or semiannual intervals.

A Special Form

Despite certain superficial similarities between a civil law partnership and a bank consortium (such as for example, the desire of partners and of consortium participants to achieve a common business goal by operating in a particular manner), they differ fundamentally. Applying to a bank consortium certain solutions inherent in a civil law partnership would conflict with the legal rationale for the formation of that institution in banking law.

Polish lawmakers have left to interested businesses the freedom to arrange their mutual relations in the form of a bank consortium agreement—of course, within the limits of the universally mandatory imperative provisions of law. Regarding those who insist on a clear definition, the institution of the bank consortium in Polish law; they will have to be satisfied with its definition as a special legal-organizational form of lending money.

Article Views Issues Facing New Justice Minister

95EP0080A Warsaw GAZETA BANKOWA in Polish 19 Mar 95 No 12, p 14

[Article by Maciej Urbaniak: "A Voice Crying in the Desert.... Will Jaskiernia Accomplish More Than Did Cimoszewicz?"]

[FBIS Translated Text] I write in GAZETA BANKOWA about affairs of justice at least once a year. I admit that I did not track the extent to which the former deputy prime minister and the minister of justice [Wlodzimiez Cimoszewicz] availed himself of the advice given him as a kind of holiday present directly after he assumed office (in December 1993).

* * *

I hasten to repair this neglect, the more so considering that the minister has already been replaced. A glance at the various bits of advice showed me that mine was a voice crying in the desert.... The ministry of justice has had bad luck with its chiefs. Its first chief to be appointed in the democracy era, Aleksander Bentkowski (Polish Socialist Party), resigned together with Mazowiecki's cabinet as soon as he got some idea of what his job was like. His three successors from the Christian-National Union, nicknamed "the Holy Trinity" at the ministry, were chiefly interested in the abortion "issue." As for Cimoszewicz, he became a deputy prime minister.

In effect, he spent about an half of his 15 months in office on spectacularly washing his hands and trying to get the Sejm to pass a law on the protection of the economic marketplace. As for the legal and infrastructural problems, without whose solution a modern market economy is inconceivable, they remained.

Just in case, let me point out to the new minister [Jerzy Jaskiernia] that the situation of the courts in large cities is catastrophic and is not expected to improve radically, owing to lack of funds. But as for changing the laws, that does not take money. All that is needed is a little goodwill and a great deal of determination.

In December 1993 GAZETA BANKOWA proposed a package of necessary legislative changes. Let me briefly recapitulate the nature of these changes for the benefit of the new minister.

Registration and Records. Of a certainty, in that field most progress has been made, at least conceptually. The ministry is aware that a single court registry must encompass all businesses. The related laws are being drafted, and funds for establishing a computer system with the aid of foreign sources are being procured.

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Laws are being drafted, and steps taken to establish a computer system based on foreign sources.

Is not this a good occasion for turning MONITOR-B into a journal publishing all the legally mandated information on businesses? Will the finance minister revoke his decision enabling an overwhelming majority of enterprises to conceal information which they are legally bound to make public. GAZETA BANKOWA wishes that the minister would be more resolute.

Bankruptcies. We postulated the introduction of a waiting period for starting a business by persons which led their—and other—companies to bankruptcy. Instead, the law on trade protection contains absurd solutions making practically any bankruptcy a subject of interest to public prosecutors. This is hardly the way. Frivolous—meaning due to stupidity—bankruptcies happen much more often than criminal bankruptcies.

The Judicial Maze. The paths traveled by proposals for reforming civil-law procedure are obscure. Simple solutions that have long been asked for by judges and that can markedly accelerate judicial proceedings by disciplining their participants (such as imposing the obligation to submit all evidence within a definite time limit under the penalty of disallowing it otherwise; the cancellation of ex officio hearing of evidence in the event that a party is represented by a lawyer or a legal adviser) have not been adopted. Should they be adopted, the effects, especially in commercial lawsuits, may exceed the boldest expectations.

Execution. Making the profession of the court executive officers a free profession, and admitting to that profession anyone interested who has a record of legal internship and has passed the state examination; abandonment of the existing rules for financing execution (which require creditors to pay in advance the costs of execution, given the low probability of recovering the amount sued for or even the advance paid); tightening the supervision of courts over the activities of execution offices. All these demands as yet remain on paper. To be sure, these matters, too, are being considered by the heads of the justice ministry.

Consumer Regulations. The government has been dragging its feet for three years in issuing guidelines governing agreements with the participation of consumers, with the object of protecting their interests at least minimally. Some two years ago the ministry of justice "picked up" this topic from the minister of industry and trade, but since then nothing more has been heard about it. Let me remind Minister Jaskiernia of the existence of Article 384 of the Civil Law Code and suggest that he finally propose to the government utilizing the provisions of that article sensibly.

Will Jerzy Jaskiernia accomplish more than did Wlodzimierz Cimoszewicz?

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Iliescu Assesses Moscow World War II Festivities

AU1005151695 Bucharest Radio Romania Network in Romanian 1300 GMT 10 May 95

[FBIS Translated Text] President Ion Iliescu returned to Bucharest this afternoon after participating in the London, Paris, and Moscow festivities pegged to the 50th anniversary of the conclusion of World War II. On his arrival at Otopeni Airport, the president made the following statement to the press:

[Begin Iliescu recording] As I have already said in a talk with the journalists accompanying us on this trip, I think there is a common denominator for this entire sequence of events. First of all, we paid homage to this occasion, the 50th anniversary of the conclusion of World War II, which meant enormous sacrifices for mankind—for Europe first and foremost, but not just for Europe alone; China's president, who was also present in Moscow, spoke about the meaning of World War II for China and other nations in Asia. I think the festivities were also an opportunity for the participants to express their satisfaction with the fact that, 50 years later, mankind has managed to avoid a third cataclysm.

Second, the participants expressed satisfaction regarding the climate in which these celebrations were held, following the changes that have occurred—and are still occurring—in the international arena over the last five years. Regardless of the nuances implied by the way in which the various festivities were organized or the nuances contained in the various political speeches made on these occasions, the common denominator is the hope and desire to utilize both the experience of the World War II alliance and the experience gained in the past five years to consolidate the changes taking place internally in certain countries—where profound processes of democratic change in their societies as well as processes of recovery and normalization in their political life are under way—and to create a climate of peace, security, and stability in Europe; hence the need to find a common language and to develop cooperation among the political factors, on the one hand, and the need to develop unhampered economic cooperation among all countries, in the framework of the all-European integration. In my opinion, this was the common denominator of all these festivities.

The most significant political moment was probably in Moscow. No speeches were made in Paris; in London, only the hosts took the floor—that is, the Queen, the mayor of London, and the Archbishop of Canterbury—whereas in Moscow the representatives of the great allied powers took the floor, even on as many as three occasions. Therefore, the Moscow ceremonies probably had the strongest political impact, since the participants there emphasized the common desire to overcome the difficulties experienced by certain countries and areas, to solve the persistent conflicts in certain parts of the continent, and to find a reasonable language to consolidate peace. [end recording]

CE Praises Country for Minority Rights Policy

AU1105120295 Bucharest Radio Romania Network in Romanian 1000 GMT 11 May 95

[FBIS Translated Text] During a ceremony today in Strasbourg preceding the 96th Session of the Council of Europe [CE] Committee of Ministers, Romanian Foreign Affairs Minister Teodor Melescanu handed in Romania's ratification instruments of the Framework Convention for the protection of ethnic minorities.

Romania thus becomes the first country to ratify the first multilateral juridical instrument in that domain in the entire history of mankind.

In an exclusive interview granted to our special correspondent, Doina Saiciuc, Mr. Melescanu stated that the handing in of the ratification instruments clearly signals the Romanian Government's resolution to give special attention and importance to the furthering of the fundamental human rights and liberties in Romania, especially those of the ethnic minorities living here. From this point of view, Melescanu said, the ratification of the Framework Convention on ethnic minorities, following the ratification of the European Convention on Human Rights, guarantees the fact that currently the highest standards regarding protection of human rights are the Romanian ones.

In an exclusive interview granted to our correspondent, Daniel Tarschys, secretary general of the CE, asserted that the Romanian Government's pledge to pursue a generous policy regarding ethnic minority rights is very much appreciated by the CE, which is a highly significant thing.

Spokesman Denies Ties to Hungary Tense

LD1005201695 Budapest Kossuth Radio Network in Hungarian 1700 GMT 10 May 95

[FBIS Translated Text] The Romanian foreign affairs spokesman has distanced himself from an article in the official government paper [VOCEA ROMANIEI] that criticized the Hungarian president. According to the paper, Romanian-Hungarian relations have deteriorated to the extent that President Arpad Goencz has not invited the Romanian president to the meeting of presidents in Keszthely [western Hungary]. The Romanian foreign affairs spokesman said that Romanian-Hungarian relations cannot be called tense. He added that the problems

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around the conclusion of the basic treaty are important, but that more attention is given to them than they deserve.

UDMR Extremists, Moderates Clash Over Autonomy

AU1005181295 Bucharest EVENIMENTUL ZILEI in Romanian 8 May 95 p 5

[Article by Andra Manta: "The Extremists Within the Democratic Union of Hungarians in Romania Demand That Covasna and Harghita Should Join Hungary"]

[FBIS Translated Text] The Council of Representatives of the Democratic Union of Hungarians in Romania [UDMR], which met in Targu Mures last Friday and Saturday [5 and 6 May], has practically failed to finalize any of the documents that were going to be discussed by the Fourth UDMR Congress, scheduled to open shortly in Cluj.

The UDMR's Council of Representatives did not discuss the three autonomy statutes; it limited itself to introducing in the UDMR program a subchapter on defining the concept of autonomy and on ways and means for implementing this concept in its various forms: local, personal (cultural), and regional.

Each Hungarian Has His Own Opinion About Autonomy

Accepted in principle by all members of the Council of Representatives, the autonomy concept gave birth to a heated controversy among the Hungarian representatives, with each one of the speakers having an absolutely original opinion on this matter.

The extremists demanded either that Harghita and Covasna Counties join Hungary (as said the chairman of the UDMR's Ciuc branch) or the federalization of Romania and the obtainment by the Hungarians of the status of partner-nation (as did deputy Dumitru Borbely).

The moderate wing, led by UDMR president Bela Marko, suggested that the problems of the Hungarian minority should be solved in keeping with the various geographic situations in which this ethnic group lives: either compactly together or in "Diaspora." The moderates call for an autonomy based mainly on cultural and linguistic criteria.

Both the UDMR president and Laszlo Tokes, the honorary president, think Romania should introduce Recommendation 1201 in its domestic legislation. Tokes told us that Article 11 of that document "is a minimal formula for territorial autonomy." Marko told us that it is on the basis of principles included in this article—zones with special status and/or their own local or autonomous administrations—that solutions should be found to the problem of the Hungarian ethnic group.

The UDMR Council of Representatives failed to reach a concrete result on the issue of autonomy: The exclusivist criterion of "territorial autonomy" was kept in check by the attitude of the moderates, who call for ethnic autonomy (their own university, the use of the Hungarian language in administration and justice, and so forth) to be achieved through laws passed by Romania's Parliament.

The Campaign for the UDMR Presidency Is Taking Place in a Balkan Style

Laszlo Tokes told the UDMR Council of Representatives that he will not run for the presidency of the UDMR, and will keep his position as honorary president. On the other hand, UDMR Deputy Dumitru Borbely has begun his electoral campaign with an attack against Bela Marko. In an open letter, Borbely vehemently blames the UDMR president for all the UDMR's past and future failures. Although he ardently wants to replace Bela Marko, Borbely blames Marko, precisely, for the facilities available to the party president: two foreign automobiles, a Mercedes and a Ford bought by the UDMR for German marks. Amid the applause of the audience, Bela Marko said that he will not resort to personal attacks during his electoral campaign.

Civic Alliance Party Elects New Leadership

AU1005182995 Bucharest ADEVARUL in Romanian 8 May 95 p 8

[Article by Oana Iurascu: "Manolescu Reelected at the Second PAC Congress"]

[FBIS Translated Text] Professor Nicolae Manolescu was reelected president of the PAC [Civic Alliance Party] on the third day [7 May] of the second PAC congress, held in the town of Alba Iulia. He won an overwhelming majority of votes: namely, 377 in favor compared to eight against. Neither this nor the election of Nicolae Taran as executive president—with 368 votes in favor out of a possible 385—came as a surprise.

However, certain objections expressed by some party branches, especially the one in the city of Iasi, were unexpected. The objections concerned the alteration of the party statute, namely the proposals intended to establish a leadership structure of a new type. According to these proposals a standing bureau was to be set up consisting of the party president, the executive president, and the six deputy presidents. Liviu Antonesei [head of the PAC National Council] feared that if the standing bureau were to come to life, he would lose authority during

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the periods between the party's congresses. Manolescu laughed at the accusations claiming the party is being "Stalinized," after which he asked the congress to approve of his setting up a trustworthy "team," explaining that according to the party statute, the PAC National Committee would still have the authority to dismiss the persons holding offices in that body. Antonesei replied that he was satisfied with the "distinctions" thus made by Manolescu, after which the new statute was passed by the plenum without any problems.

The six PAC deputy presidents proposed by Manolescu and elected by the congress are: Ioan Paun Otiman (for local administration issues), Gheorghe Gorun (human resources), Costea Munteanu (party program and doctrine), Laurian Oniga (organizational issues), Dinu Tanase (electoral campaigns), and Ioan Hohan (financial resources). The National Committee consists of the PAC parliamentarians and Ioan Bogdan Lefter, the director [of the Romanian section] of Radio Free Europe.

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Article Claims Leaders' Rivalry Weakens Opposition

AU1005183095 Ljubljana MAG in Slovene 26 Apr 95 pp 14-17

[Article by Joze Biscak: "Three Leaders, One Right Wing"]

[FBIS Translated Excerpt] It happened recently. Because of the financial hardship and debts of the daily SLOVENEC—the only Slovene paper that dared to admit publicly its center-right political orientation—an idea appeared that its further issue would, apart from the Christian Democrats, also be supported financially by the Slovene Peoples Party [SLS] and the Social Democratic party [SDSS], which would in return also have a say in its editorial policy. The Christian Democrats (SKD) valued SLOVENEC at the fantastic 10 million German marks [DM]. According to some sort of a key of cofinancing and the division of influence in the paper, the SDSS would have to contribute DM2 million.

Gloomy Christian Democracy

The offer was exaggerated, but not at all that bad, especially because the hitherto, conditionally speaking, center-right papers like DELO and SLOVENSKE NOVICE are rapidly transforming themselves into center-left papers. However, the response of both leaders of the Slovene spring, [SDSS President] Janez Jansa and [SLS President] Marjan Podobnik, was predictable and set forth conditions. Alright, they said, in principle we agree to cofinance SLOVENEC—the Christian Democrats will continue to have the decisive word in the editorial policy and cadres—however, in return, the SKD will have to sign a preelectoral agreement on not attacking each other and the joint formation of a government after the elections, if the votes add up arithmetically, so that the former Demos parties would be able to form the government. [SKD President] Lojze Peterle flatly rejected the offer.

The above incident among the three biggest parties of the Slovene spring means at least two things: First, the Christian Democrats do not believe that they will be able to take power at the 1996 parliamentary elections and, second, Lojze Peterle is afraid that, in such company, his personal reputation would slide to second if not third place, that is, after Jansa and Podobnik. In other words, the unification of the parties of the Slovene spring, that is, the opposition—if one considers the SKD to be a (semi)opposition party—in the electoral campaign is not possible, primarily because of the leadership aspirations of the presidents of the three parties, which, conditionally speaking, are almost charismatic personalities of the Slovene political folklore, with Janez Jansa being especially prominent.

SDK Attacking SDSS

Jansa's success at the local elections last December, which was primarily the consequence of his dismissal from the post of defense minister, started to worry the LDS [Liberal Democratic Party] and the ZLSD [United List of Social Democrats] as well as the Christian Democrats. Public opinion polls show that the SDSS will strengthen further in the long run and if Janez Jansa increases his influence over the SLS, the Christian Democrats will only "mean" something in connection with the LDS. For this reason, the invitation of Ivan Oman (SKD) to his son-in-law Marjan Podobnik to join parties was allegedly aimed directly against Janez Jansa. This improved the slightly subordinated center-right position of the SLS president to a degree because this "family" move was supposed to be a clear signal to the Social Democrats that the SLS has another alternative, beside the Social Democratic one. On the other hand, no matter how paradoxical it may sound, the SKD can still tip the scales, without which it will not be possible to constitute a right-wing or left-wing government. [passage omitted]

Who Rules the Parties of the Slovene Spring?

So who rules the opposition today, that is, who is the man who is supposed to assume the leadership over the parties of the Slovene spring? The answer is not a simple one because the struggle for the domination is fought on two fronts: For the leadership of the parties of the Slovene spring on one hand and for the primate of the parliamentary opposition on the other. In the long term, it is naturally more important who will be the champion of the parties of the Slovene spring. At present, this is doubtlessly the SKD because of its organization and participation in the government, where, after the downfall of Janez Jansa, they remain the only center-right party. They have political influence and great economic power.

At the forthcoming elections, power will be assumed by the one who will head the SDSS-SKD-SLS government coalition, if it emerges, of course. According to one line of thinking, this will be the party that will win the most votes, however, the question remains of whether Lojze Peterle, Janez Jansa, and Marjan Podobnik will agree on the prime minister designate who is formally proposed by the president of the republic, Milan Kucan. The latter definitely prefers Lojze Peterle to Janez Jansa. The SDK chief infinitely prefers Dr. Janez Drnovsek over Janez Jansa, even if the latter were to win at the elections. And vice versa, naturally. The Christian Democrats

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do not conceal their desire for the leadership of the center-right parties, however, they are not yet thinking about any links after the parliamentary elections or even beforehand.

Marjan Podobnik is trying very hard to come to the head of such a coalition, however, he knows that (for the time being) this is not possible, regardless of the surprisingly good results at the local elections, which, nevertheless are not the same as the parliamentary elections. [passage omitted]

Janez Jansa is not thinking so much about leadership (yet) as about a strong coalition that would win at the elections. "The prime minister designate will simply be from the party that will win the biggest number of votes. This is the Demos formula," the SDSS president says and denies that the Christian Democrats would be his adversaries, although the same cannot be said of the other side. "The relationship between the parties is rather taxing, primarily because the SKD is still a member of the ruling coalition," he adds.

Struggle for Leadership in Opposition

The second battle is fought by Janez Jansa and Marjan Podobnik in the opposition. [passage omitted] Both parties—which, for the time being, are still building their influence with the voters on the anticorruption movement, although the age of innocence and virginal purity is slowly running down and they will have to offer something fresh and better—are aware that the result of the duel will influence the success or lack of it at the parliamentary elections next year. Although the SLS has more deputies in the State Chamber, the opposition strings are pulled precisely by Jansa's SDSS, that is, by two men—Ivo Hvalica and Dr. Joze Pucnik, who almost alone (and almost successfully) carried out the parliamentary inquiry in the work of [Defense Minister] Jelko Kacin. [passage omitted]

Advantage of SDSS and SLS; Noninvolvement in Affairs

It is interesting that the members and the deputies of the SLS and the SDSS were not involved in any of the more publicized affairs. Discounting the implication of Janez Jansa in the arms trade, which nobody has proved, and HIT's campaign against the leader of the SDSS bench, Ivo Hvalica, the Social Democrats "are clean." The most publicized case was that of Social Democratic Deputy Brane Erzen, who was suspected of sexually harassing a State Chamber employee. [passage omitted]

Because of the dangerous strengthening of the SDSS—in which, it sounds incredible, the cream of the Slovene intellectual elite is gathered—the ruling parties are laying booby traps for Janez Jansa. While Marjan Podobnik is practically harmless to them, because he is losing his credibility due to suspicious party debts and ill-prepared attacks on the LDS (the constitutional charges against Dr. Janez Drnovsek were a real flop), the internal disputes (dismissal of Secretary General Franci Feltrin), and on top of everything the SLS is also eying the votes of the SKD, the LDS and the ZLSD will, jointly with the SKD, now direct their action against Janez Jansa, who is stealing the electoral votes little by little.

Charges as LDS's Electoral Campaign

The charges pressed due to Jansa's alleged involvement in the Brnik arms affair is already an electoral move. Everything might have appeared as a set of circumstances had alcohol not loosened the tongue of one of the elderly LDS members who was drinking with his opposition colleague 10 days before the public presentation of the charges. He said: "You will see. We have several bombs for Jansa, and one of them will go off quite soon." A year and a half will pass before the prosecutor files the indictment and before the process begins, therefore, the process will take place precisely during the electoral campaign in autumn 1996. It is interesting that the SDSS president doubts that charges would be aimed against him "although Dr. Janez Drnovsek definitely stands behind them." According to him, this means the spring cleaning in the LDS. First the charges against Dr. Peter Tancig from the Greens-Ecologically Social Party and then a new indictment against the affiliated democrat Igor Bavcar.

The parties of the ruling coalition are preparing another surprise for the State Chamber elections. The threshold for entry into the parliament will supposedly be at least 5 percent of votes. This means that only the LDS, the ZLSD, the SKD, the SDSS, and the SLS, and with a little luck also the Greens and the DeSUS [Democratic Social Union of Slovenia], would definitely be parliamentary parties. For this reason, the drowning of smaller parties within the bigger ones will be the main characteristic of the electoral competition.

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Federal

Lilic Comments on Talks With Clinton, Yeltsin

AU1005201495 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 10 May 95

[Statement by President Zoran Lilic at Belgrade Airport on 10 May following his return from Moscow—recorded]

[FBIS Translated Text] [Lilic] I would like to express my sincere satisfaction that we had an opportunity to attend such an important (?event) as the celebration of the 50th anniversary of the victory over fascism. On this occasion, I would like to express my gratitude to Mr. Mitterand and Mr. Yeltsin for [words indistinct]. The second reason why I would like to express our satisfaction is the following fact, namely, that we enjoyed a truly equal treatment by the hosts and the numerous guests. When I say this, I primarily refer to the fact that, after 50 years, for the first time, I believe, we were mentioned simultaneously by both superpowers—the United States in the speech by Mr. Clinton and the Russian Federation in the speech by President Yeltsin—immediately after the allied coalition, when they spoke of the events in World War II.

As you can yourselves imagine, such a treatment provided us with an opportunity for numerous bilateral meetings, which we absolutely took advantage of. From a whole series of meetings that we have had, I would especially single out the talks with Russian Federation President Yeltsin, brief, but I hope constructive [sadrzajan], talks with Mr. Clinton, talks with Mr. Mitterrand, Mr. Chirac, and by all means the talks with Greek President Stefanopoulos and a series of talks with other representatives.

I believe that this opened doors for numerous new bilateral meetings and a different picture about the FRY [Federal Republic of Yugoslavia], and I also believe that, after everything that has happened lately, while I was on the way, I had the chance to [word indistinct] the image in the world about everything that was happening. Here, I would like to emphasize that, nevertheless, many things depend upon ourselves. I emphasized, [word indistinct] and I would like to repeat it here this evening, that the only chance or the right chance of the FRY, the Srpska republic, and the republic of Serb Krajina, and all FRY citizens is that they actively continue to champion primarily peace and participate in the realization of the plan of country's economic recovery. I believe that then and under such circumstances, we will truly have a chance of resuming very rapidly the place that, objectively speaking, belongs to the FRY.

Finally, I can say that it was truly a pleasure to represent Yugoslavia on this trip, in Paris and in Moscow, and that we are returning home satisfied. Unless you have any questions, I would thank you, otherwise, please go ahead.

[Correspondent Branka Kerkez] Mr. President, would you be so kind as to tell as a little more about the topics of your meetings with other statesmen?

[Lilic] Well, you can anticipate which are the most topical issues for FRY and the FRY citizens in general at the moment. I would expand this also to the territories of the earlier Yugoslavia. I believe that it is too early to speak about the results of these talks. In any case, our fundamental role and fundamental goal should be the preservation of peace and the resolution of problems on the territory of the earlier Yugoslavia by primarily political means.

This would, in short, be the leitmotif of the talks. However, you can assume from the makeup of the delegation that we have had opportunities to also discuss other issues, the economic issues and all other issues that are essential for the residents of our country. Thank you very much.

Envoy on 'Genocidal Operations' Against Serbs

LD1005220895 Belgrade TANJUG in English 2143 GMT 10 May 95

[FBIS Transcribed Text] New York, May 10 (TANJUG)—Yugoslav Ambassador to the U.N. Dragomir Djokic on Wednesday sent a letter to U.N. Security Council President Jean-Bernard Merimee, denying claims by Croatian ambassador Mario Nobilo about Yugoslavia's alleged involvement in the war in Croatia.

Such accusations are malicious, Djokic said. He pointed out that it was ironic that such claims were made by Croatia, which had forcibly seceded from the former Yugoslav Federation in violation of its Constitution, eliminated the Serb people from its subsequent new constitution, and then carried out genocidal operations against Serbs.

Nobilo said in his letter to the council that 250,000 non-Serbs and 125,000 Serb citizens of Croatia had been forced to abandon their homes because of the aggression against Croatia, inspired and supported by Belgrade. It is well known, Djokic said, that only about 100,000 Serbs remain in territories controlled by Croatia, as opposed to the 350,000 that lived there in 1991 before the war broke out. Almost 200,000 of the 600,000 refugees in the Federal Republic of Yugoslavia are Serbs from Croatia.

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This fact supports the claims that this ethnic cleansing is a result of Croatia's aggressive policy which jeopardizes the elementary existential, national and human rights of Serbs in those territories, Djokic said.

Djokic pointed out that the U.N. peace force is deployed in Croatia not to protect the Serb population from Yugoslavia, but from Croatia, and to secure conditions for a peaceful settlement of all controversial issues through talks. The Federal Republic of Yugoslavia does not have any territorial aspirations toward any neighboring country and is interested only in the warring sides finding a peaceful solution through negotiations, he said.

It is absurd to accuse Yugoslavia of aggression, when even U.N. documents have confirmed that the former Yugoslav Army (JNA) had pulled out of Croatia well before it received international recognition in January 1992, Djokic said.

Nobilo's claims that there was no problem in Croatia involving human rights of Serbs, but that the issue was alleged Yugoslav expansionism, have been denied by the Croatian army's latest aggression on the region of Western Slavonia, where it deliberately fird at Serb civilians, women and children, said Djokic.

It is more than evident that Croatia is continuing genocidal operations against the Serb population, seriously jeopardizing the peace process, and stoking the flames of war in the republic of Serb Krajina, the Yugoslav ambassador said.

Croatian forces killed more than 1,000 Serbs and forced 13,000 others to flee when they attacked Western Slavonia on May 1 and 2 this year.

UN Urged To 'Prevent Crime' in Slavonia

LD1005185895 Belgrade TANJUG in English 1821 GMT 10 May 95

["Pool" item]

[FBIS Transcribed Text] Geneva, May 10 (TANJUG)—Yugoslav Ambassador Vladimir Pavicevic sent a letter Wednesday to U.N. High Commissioner for Human Rights Jose Ayala Lazo, urging the United Nations to prevent crime in Western Slavonia.

The letter contains the Yugoslav Government's demand that the United Nations should take urgent steps to prevent crime against Serb civilians and against the practice of 'ethnic cleansing' which the Croatian authorities have been carrying out since their armed aggression on the republic of Serb Krajina in Western Slavonia.

The Croatian Army carried out an aggression, invalidating all U.N. resolutions, and killing hundreds of innocent civilians, said the letter which was also sent to U.N. Geneva office director-general Vladimir Petrovski and U.N. human rights commission's special rapporteur on former Yugoslavia Tadeusz Mazowiecki.

The letter recalls crimes committed in northern and Western Slavonia in 1991, when Croatian troops expelled Serbs from 10 towns and 80 villages and killed 14,000 people. On May 1, Croatia launched an armed aggression on the Western Slavonia region in the U.N.-protected republic of Serb Krajina.

The invading Croatian troops killed more than 1,000 Serb civilians and taken 1,700 to camps. About 13,000 Serbs have escaped to the neighboring Srpska republic, the Serb Krajina government reports. International humanitarian organizations' presence in Western Slavonia would be of immense importance for the prevention of more crimes against Serbs, the letter said.

Minister Says Russian Trade To Receive Priority

LD1105102195 Belgrade TANJUG in English 0948 GMT 11 May 95

["Ecopool" item]

[FBIS Transcribed Text] Belgrade, May 11 (TANJUG)—The Russian Federation will in the future be given priority in trade with Yugoslavia, Federal Trade Minister Djordje Siradovic has told TANJUG.

Siradovic was speaking on the occasion of the 50th anniversary of the signing of the agreement on trade and naval navigation between the Kingdom of Yugoslavia and the Soviet Union on May 11, 1940.

Siradovic said that the 1940 agreement was followed by documents on trade and economic cooperation signed in 1955 and 1990. On August 24, 1994 Yugoslavia and Russia signed the latest agreement on the development of trade and reviving economic ties.

Siradovic said that the scope of exchange from the period before the United Nations security Council imposed sanctions against Yugoslavia in May 1992, and especially the structure of this exchange, represent a basis for future stronger links between the two econmies. He said it was necessary to set up joint firms, extend longterm production cooperation and secure the joint marketing of products on third markets.

Siradovic said that the best economic results have been recorded in the 1980s when Serbia's and Montenegro's annual trade with the Soviet Union amounted to over three billion dollars. Yugoslavia mainly exported products of the machine-building industry—equipment and

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ships, consumer and agricultural goods, while it imported raw materials (oil and its derivatives, gas, iron ore, chemical products, cotton, etc.) and production materials.

Siradovic said that more than 60 facilities had been built in Yugoslavia, including 11 for ore processing.

Siradovic said that Yugoslav civil engineers have built extensively in Russia, including the Kuban complex, hotels, apartment blocks, tanneries and carried out the reconstuction and extension of ports, airports and other facilities.

Serbia

One Killed in Mali Zvornik by Shell From B-H

AU1005204695 Belgrade Radio Beograd Network in Serbo-Croatian 2000 GMT 10 May 95

[FBIS Translated Excerpt] One person was killed and two injured by a shell that landed in Mali Zvornik [Serbia], 50 meters away from the primary school today. The shell was fired from the Muslim side, most likely from a tank or long-range artillery weapon, reports the FRY [Federal Republic of Yugoslavia] Army General Staff information service.

In conjunction with the report from the FRY Army General Staff information service we also have a report by Dragan Petkovic from Radio Podrinje:

[Begin recording] At 1305 [1105 GMT] a tank grenade, most likely fired from Nezuk, landed in Mali Zvornik in the immediate of the primary school. Dragisa Radic, born in 1953, a worker at the Loznica factory for automobile and tractor brakes, was killed on the spot. Dimitrije Vimic from Mali Zvornik, born in 1922, sustained grave injuries and was immediately transferred to the Loznica medical center. [passage omitted] [end recording]

Response to Future 'Aggression'

AU1005205495 Belgrade Radio Beograd Network in Serbo-Croatian 2000 GMT 10 May 95

[Report by Tereza Guld from New York]

[FBIS Translated Text] The FRY [Federal Republic of Yugoslavia] Government, via Yugoslav diplomats at UN headquarters in New York reacted swiftly to today's shelling of Mali Zvornik by the Bosnian-Muslim Army.

The Yugoslav Ambassador Dragomir Djokic sent a letter to French Ambassador Merimee, UN Security Council chairman, in which he informed him that at 1305 [1105 GMT] today the Muslim units from Bosnia-Herzegovina attacked Mali Zvornik, which is situated on FRY territory, killing one and injuring two persons.

FRY will not tolerate aggression against its territory and will in the future exercise its legitimate right to self defense, states the letter from Ambassador Djokic to the UN Security Council.

Serbian Assembly To Discuss Slavonia Platform

AU1005154395 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 10 May 95

[FBIS Translated Text] The Serbian Assembly did not continue its spring session this morning, as announced, although the deputies gathered in the great hall of the republican parliament. The reason was the session of the parliamentary commission for the relations with the Serbs outside Serbia, which will propose a platform toward the Croatian armed aggression against the republic of Serb Krajina [RSK] to the assembly. Most likely, the deputies will take a stance on the commission's positions this afternoon. On this occasion, our assembly correspondent, Zoran Vaskovic, interviewed Radmilo Bogdanovic, president of the parliamentary commission for the relations with the Serbs outside Serbia:

[Begin recording] [Vaskovic] Mr. Bogdanovic, the commission took a stance on the events in Western Slavonia and on Croatia's aggression against the Serb Krajina this morning. Let us hear the most important conclusions:

[Bogdanovic] The People's Assembly of the Republic of Serbia most resolutely condemns the aggression of the Republic of Croatia against the RSK. With this violent act, the Republic of Croatia directly threatened the process of a peaceful resolution of the crisis and assumed responsibility for all negative consequences that stem from the endangerment of the overall peace process.

[Vaskovic] What about other views?

[Bogdanovic] Second, the People's Assembly of the Republic of Serbia especially condemns the dishonoring of the cease-fire agreement and the crimes committed against the Serbian civilians. At the same time, the People's Assembly of the Republic of Serbia is appealing to the Serbian side not to retaliate to the crimes of the Croatian side.

Third, the People's Assembly of the Republic of Serbia supports the demands of the UN Security Council and the efforts of Yasushi Akashi, the UN secretary general's special envoy, in his peace mission and expects that the international community, in conformity with the responsibility and the obligations undertaken, will safeguard a consistent observation of the cease-fire agreement and the protection of the civilians, which

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involves the withdrawal of the Croatian Armed Forces to the positions held prior to the aggression in the aforementioned territories.

Fourth, the People's Assembly of the Republic of Serbia is of the opinion that the Serbian Government should continue and intensify the humanitarian and medical assistance to the Serbs who fled from the occupied territory of Western Slavonia.

Fifth, the People's Assembly of the Republic of Serbia emphasizes its principled stance that the issue [changes thought] that a military solution does not exist for the territory of the former Yugoslavia and that a lasting and just peace can be achieved exclusively in political negotiations and not with the escalation of fighting. For this reason, it calls on the international community and the warring sides to do everything to stop combat activities and begin negotiations on the political resolution of the crisis.

Finally, the People's Assembly of the Republic of Serbia once again expresses the full solidarity of the FRY [Federal Republic of Yugoslavia] citizens with the RSK citizens, to whom our country will, in the future just as so far, offer assistance in the fulfillment of their vital needs and regarding the efforts to accomplish a lasting and just peace on these territories.

[Vaskovic] These positions will be presented to the deputies, that is, to the parliament?

[Bogdanovic] They have been photocopied and delivered to all deputies. The assembly speaker will propose that the assembly verify them, that is, adopt them.

[Vaskovic] Do you expect that this topic will appear on the agenda?

[Bogdanovic] It probably will not end up on the agenda as a subject because the positions are clear, I believe. Now is not the time to hold debates, but to come out with these positions, and that is what we said at the assembly session, namely, to address the leadership, the people, and the refugees from the RSK and simultaneously the incumbent offices in the UN Security Council and all mediators who can, at the moment, contribute toward a peaceful resolution for this region.

[Vaskovic] Mr. Bogdanovic, thank you very much. [end recording]

More From Assembly

AU1105111095 Belgrade Radio Beograd Network in Serbo-Croatian 1000 GMT 11 May 95

[Report by Zoran Vaskovic]

[FBIS Translated Text] Following the speeches by the heads of deputy caucuses, the Serbian Assembly has endorsed the stands of the Committee for Relations With Serbs Outside Serbia on Croatia's aggression against the republic of Serbian Krajina. Zoran Vaskovic reports from the Assembly:

[Vaskovic] The first to speak was Vuk Draskovic, head of the deputy caucus of the Serbian Renewal Movement. He said that this was an extremely difficult time for the Serbian people as a whole. However, solutions cannot be found within a broad parliamentary debate in front of a television audience. According to Draskovic, Croatia has found itself in trouble and the world is gradually turning against it. War is not a solution and Serbia and Montenegro must not be drawn into the maelstrom of war.

The Assembly was then addressed by Zoran Djindjic, head of the deputy caucus of the Democratic Party [DS], who took the view that Croatia's aggression was to be expected. There should be better coordination between Belgrade and the republic of Serbian Krajina authorities and the Srpska republic.

Zarko Jokanovic, head of the deputy caucus of New Democracy, said: One can not understand the suffering of civilian population, let alone justify it. The civilian population should be urgently protected and ethnic cleansing prevented. The international community is most responsible for the events in Western Slavonia.

Vojislav Kostunica, head of the deputy caucus of the Democratic Party of Serbia, said: The fragmentation of Serbian territories with the blessing of the United Nations is continuing. Croatia's aggression had been prepared for a long time, both diplomatically and militarily. Ethnic cleansing took place in Western Slavonia.

The last to speak was Milorad Vucelic, head of the deputy caucus of the Socialist Party of Serbia. He said that Croatia's aggression contained elements of genocide and that the Serbian Assembly must condemn such a behavior most vehemently. What is even more important is what to do to prevent such events from happening again. According to Vucelic, the weaknesses in the Krajina leadership should be examined. The authorities in Serbian Krajina demonstrated a certain degree of willfulness and did not act in line with overall Serbian policy. Warmongering has deceived the people and separated them from reality. There are still some

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cases of unfounded courage-flaunting, but people must not be drawn into war and disaster. This will not pass.

About an hour ago, the deputies of the Serbian Radical Party left the session. The deputies of the DS also did so shortly before the voting on the positions of the committee, which were approved by 156 deputies.

In line with its agenda, the Assembly then voted on the report on the work of the republican government in the past year. The report was accepted. The Assembly is currently discussing a draft bill on abortion.

SRS Calls For 'Urgent Dismissal' of Mikelic

LD1005174095 Belgrade SRNA in Serbo-Croatian 1510 GMT 10 May 95

[Received by fax]

[FBIS Translated Text] Belgrade, 10 May (SRNA)—The Serbian Radical Party [SRS] calls for the urgent dismissal of RSK [republic of Serb Krajina] Prime Minister Borislav Mikelic and for his arrest and trial for treason against the Serbian people, Vojislav Seselj, leader of the Serbian radicals, said in Belgrade today.

Speaking at a regular news conference, Seselj accused the Krajina prime minister of selling Western Slavonia. He said he had irrefutable evidence that would be presented in court. "On Milosevic's orders, Mikelic continued to negotiate with the Croats, although strictly forbidden to do so by President Martic, who himself believes that there can be no negotiations until the Croatian occupying forces withdraw from Western Slavonia," said Seselj.

SRS General Secretary Aleksandar Vucic told the journalists that the socialists rejected the request by the radicals to discuss Western Slavonia at today's session of the Serbian parliament.

"The session has not yet started because the socialists not only rejected our request but also wanted the parliament to adopt a bill calling on the Serbs to refrain from violence, which we find unacceptable and for which we will most likely have to walk out of the session today," Vucic said.

It was announced that an SRS delegation led by Seselj will leave for the Srpeksa republic tomorrow. It will tour the Herzegovina and Sarajevo fronts and have talks with the Srpska republic leadership in Pale.

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